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FINANCIAL TIMES

World Business Newspaper

MONDAY MARCH 11 1996

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Hamas withdraws ceasefire offer ahead of summit

The extremist Hamas Islamic movement, responsible for a wave of suicide bombings in Israel, withdrew its offer of a ceasefire and said it would resume attacks. The warning came as world leaders prepared for an international summit in Egypt on Wednesday to shore up international support for the fragile Middle East peace. Page 16

US warns China against war games: The US began moving an aircraft carrier taskforce closer to Taiwan as Washington warned China against further "risky" acts against the island. Page 16; Chinese media pressure, Page 4; Editorial Comment, Page 15; Emerging markets, Page 24; World stocks, Page 26

Fokker plans slimmed-down future: One of three subsidiaries of Fokker has been removed from court-approved protection from creditors in an attempt to create a vehicle for reviving the Dutch aircraft maker in slimmed-down form. Page 17

Pechiney seeks 8% cost cuts: Pechiney, French aluminium and packaging group privatised last year, plans to cut annual costs by at least FFr1.5bn ($297m), or 8 per cent, and expects substantial staff cuts. Page 17

IRA pressed to renew ceasefire: Sinn Féin faced renewed pressure yesterday from London, Dublin and Washington to go back to the IRA to demand a fresh ceasefire. Irish prime minister John Bruton urged the Northern Ireland republican movement to "stop thinking in terms of threats".

Japanese toolmaker plans UK expansion: Japanese machine tool producer Yamasaki Mazak plans to expand capacity at its plant in Worcester, central England, by 20 per cent. Page 9

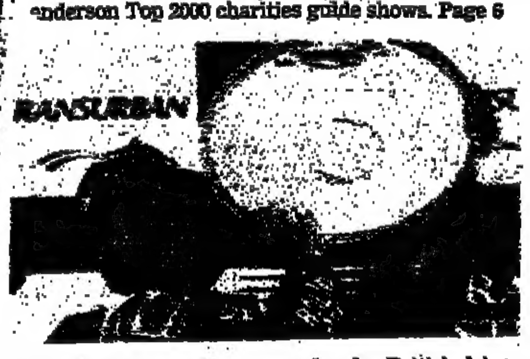
Citibank close to choosing London site: Citibank of the US has drawn up a shortlist of three potential sites for its new London headquarters and is expected to make a decision this month. Page 6

BET predicts 27.5% dividend rise: Business services group BET predicted a 27.5 per cent dividend increase as part of its defence against a £1.9bn hostile takeover bid from Rentokil. Page 18

Perkins targets luxury cars: UK-based diesel engine manufacturer Perkins is seeking to supply the world executive and luxury car market by offering engines in production runs shorter than a carmaker on its own would consider viable. Page 16

Caspian pipeline investors sought: The Caspian pipeline consortium of Russia, Kazakhstan and Oman agreed to invite outside investment for the construction of a pipeline to unlock the giant Tengiz oil field. Page 2

Charities' income reaches record: The income of Britain's top charities rose to a record £9.98bn ($15.26bn) in the year to June 1994, the 1996 Henderson Top 2000 charities guide shows. Page 6



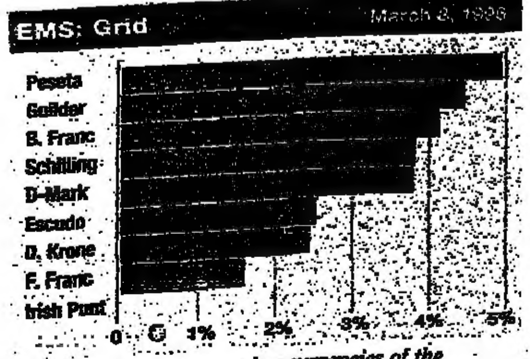
Hill wins Australian grand prix: British driver Damon Hill (above) won the Australian grand prix in Melbourne, the first of the season. His Williams Renault team-mate Jacques Villeneuve came second in his first grand prix after he suffered mechanical trouble within five laps of victory.

Liffe considers contracts change: The London International Financial Futures and Options Exchange is considering a modification of its short-term money-market contracts in preparation for European Monetary Union. Page 17

FT-SE eligibility under review: A rule which helps determine whether a company's shares are eligible for the FT-SE 100 index is to be reviewed amid concern about the recent inclusion of companies which have relatively small amounts of shares publicly traded. Page 18

European Monetary System: This week's meeting of the Bundesbank council could prompt a further round of interest rate easing. There was no change to the order of currencies in the EMS grid last week, and the spread between them was barely changed. Currencies, Page 27

EMS: Grid — March 8, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Clearing bank plan to protect forex deals

By George Graham, Banking Correspondent

The world's leading international banks are preparing to set up a global clearing bank to handle the $1,230bn of transactions that flow through the foreign exchange markets each day.

The aim is to produce an instantaneous settlement system in which a payment by one bank is immediately offset by a matching payment from another bank. This would sharply reduce the risk of a short-circuit in the foreign exchange market which, because the sums traded are so large, could severely damage domestic financial systems.

If a global clearing bank can be established within three years, as its developers hope, its launch would coincide with the 25th anniversary of the collapse of Germany's Bankhaus Herstatt – a disaster which still keeps central bankers awake at night.

When the German authorities closed Herstatt it was in the middle of more than $620m-worth of foreign exchange trades. One leg of those trades had already been paid to Herstatt in Germany, but in New York – which is six hours behind – the other leg had not yet been paid to the bank's counterparties in the US.

Central bankers have been eager to find a way of eliminating "Herstatt risk" and avoiding a repetition of the crisis the German bank provoked in the international financial system.

The Bank for International Settlements, which brings together the central bank governors of the Group of Ten leading industrialised nations, will later this month outline its strategy for reducing settlement risk in the foreign exchange markets.

But the central banks are happy to support a private sector solution to the problem if one can be developed.

The clearing bank project is being developed by 17 of the world's biggest banks, including Citibank and Chase Manhattan in the US, Barclays and National Westminster in the UK, Germany's Deutsche Bank, and Japan's Fuji Bank.

They have rounded up their numbers to call themselves the Group of Twenty. Together, they handle around 30 per cent of global foreign exchange trading.

A clearing bank set up under the plan would be open to any bank that met qualifying standards. Members would have to pay money into their accounts each day, and transactions would be debited and credited throughout the day.

If one member bank defaulted during the day, losses would be shared among other members.

Because volumes in the foreign exchange market are so large, the account balances could drain considerable liquidity from domestic money markets, raising possible monetary policy concerns for central banks.

For the global clearing bank to work, it would have to be linked to national money transfer systems such as the US's Fed-Wire. But it would also need longer opening hours for national systems, so that both sides of a foreign exchange deal spanning several time zones could be completed at the same time.

The attempt to settle foreign exchange transactions in "real time" mirrors the transformation taking place in national payment systems. In the UK, for example, the clearing house automated payment system (Chaps) for large payments will switch to "real time gross settlement" in May.

Crédit Lyonnais confounds analysts with loss prediction

By Andrew Jack in Paris

Crédit Lyonnais, the banking group owned by the French state, is set to plunge back into the red when its full 1995 financial results are published later this month.

The final figures are still being calculated, but the loss is likely to run to several hundreds of millions of francs, on top of cumulated deficits of more than FFr21bn ($4.15bn) in 1992-94.

The new decline will prove an embarrassment to the group, which only last year finalised a FFr135bn financial restructuring with the French government designed to clear out its history of bad lending and put an end to its losses ahead of eventual privatisation.

The loss comes in spite of the fact that Crédit Lyonnais managed to scrape back into profit of FFr36m for the first six months of last year. Mr Jean Peyrelevade, chairman, at that time predicted "modestly positive" results for the full year.

The new figures also appear to clash with projections in its business plan submitted to the European Commission in Brussels as part of the negotiations which led to approval of the rescue package by the competition authorities. They showed net profits of up to FFr700m for 1995.

The latest results, which are due to be published on March 21, reflect a number of unanticipated charges, including the reduction in French interest rates in the past few months, which has cost the bank dearly since more than FFr60bn of its debt is financed at high, fixed rates.

The new losses re-emphasise the difficulties which have faced much of the French banking sector over the past two years, a time of declining business and intensifying competitivity.

At the end of last month Paribas, the French financial group, reported losses of nearly FFr4bn after taking new provisions of FFr5.5bn against investments and property lending activities.

Other French banks and financial institutions reporting in the next few weeks are also expected to include some substantial new provisions incurred by additional write-offs on their property portfolios.

Crédit Lyonnais now has little such property exposure, since nearly all of its loans to developers and other property investments were transferred last year into Consortium de Réalisation, the vehicle underwritten by the French state and charged with selling off its non-core and non-performing businesses.

However, like a number of its banking rivals, such as Banque Nationale de Paris in the private sector, Crédit Lyonnais is expected to show continued difficulties from lending to the domestic small and medium-sized business sector, which has been affected by the continued poor state of the French economy.

Smiling time : Italy's Susanna Agnelli is flanked by European Commission president Jacques Santer (left) and the Irish Republic's Dick Spring during a break from a meeting of European Union foreign ministers in Palermo, Sicily, yesterday. At the back are Denmark's Niels Helveg Petersen (centre) and Theodoros Pangalos of Greece (right). Reports, Page 2
Picture: Reuter

German bank to 'correct' tax returns of 10 years

By Michael Lindemann in Bonn

Commerzbank, Germany's third largest bank, yesterday admitted that it was "correcting" tax returns covering more than a decade following allegations that it had made false or misleading submissions to the authorities.

The allegations, which centre on the size of provisions for bad loans to Latin America during the 1980s, were made yesterday by Der Spiegel, the news magazine.

Der Spiegel alleged that in 1988 alone the bank had been able to reduce its income – and hence the amount of money on which it paid taxes – by DM700m ($476m) through adjusting the size of its provisions for bad debts. The magazine said the tax authorities had lost up to DM500m following "crafty balance sheet operations".

Attacking Der Spiegel's report, Commerzbank said such 1figures were "misleading". The bank declined to give any alternative figures, saying only they did not amount to the "the hundreds of *millions of D-Marks*" referred to in the article.

It added that the bank was still in discussions with the tax authorities to clarify the matter. "We have to check all of this very carefully," he said.

However, the bank confirmed that two board members, Mr Klaus Patig and Mr Norbert Käsbeck, had written to the tax authorities warning that its tax statements since 1984 would need to be adjusted. Such pre-emptive filings are frequently made to the German tax authorities to postpone a full court case.

About 200 tax inspectors descended on the bank's offices across Germany on February 27, initially to investigate allegations that the bank had helped its clients avoid taxes through the transfer of funds to Luxembourg and other investment centres. It was during these investigations that questions were also raised about the Latin American provisions.

Commerzbank said yesterday it had made provisions for sovereign loans to countries across southern and central America which, because they were made partly by its subsidiaries in the US and Luxembourg, had no effect on the bank's income in Germany. "Provisions were made which were not accepted by the tax authorities in that form," the bank said.

The bank created reserves

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Markets poised for volatile phase after Wall Street fall

By Maggie Urry and Lisa Bransten in New York and Michael Prowse in Washington, and Richard Lapper in London

Financial markets are expected to open in a highly nervous mood today following sharp falls in US bond and equity prices on Friday.

Trading in the US is expected to be volatile this week as investors reassess the outlook for American interest rates. Traders in the European equity and debt markets are also preparing for something of a sell-off today, with the UK markets looking particularly vulnerable.

A sharp rise in payroll numbers and a reduction in the unemployment rate sparked a plunge in US share and bond prices on Friday. The fall in unemployment raised fears of a resurgence in the economy which could re-ignite inflation, preventing further cuts in interest rates.

The yield on the 30-year US Treasury long bond rose from 6.45 per cent to 6.72 per cent, the biggest one-day move since Iraq invaded Kuwait in August 1990.

Share prices fell sharply, with the Dow Jones Industrial Average falling 171.24 points to 5,470.45.

Senior officials in Washington thought financial markets had over-reacted to the February jobs report. They viewed the figures as confirming other recent signs that the economy was reviving,

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but not as signalling an unsustainable burst of growth.

Although the data were widely seen as ruling out an early cut in US short-term interest rates, officials did not see a need for policy tightening. The Fed is believed to be fairly relaxed about the inflation outlook.

In New York Mr Stephen Roach, chief economist at Morgan Stanley, the investment bank, said Friday's move had been "extreme". However, he added that a "reassessment of the basic foundations" of the bull market was now taking place.

Mr Paul Mastroddi, managing director in the economics department at JP Morgan, said that at the start of this year the market had expected short-term interest rates to fall to around 4½ per cent by the year's end. Now the market was looking for interest rates, at best, to stay at current levels of 5¼ per cent.

"It seems clear that there has been a fundamental basis for the market's reaction," said Mr John Lipsky, chief economist at Salomon Brothers. He felt that such a big shift in economic momentum would – if confirmed – pose a challenge to inflation expectations.

Whichever view proves right in the longer term, Friday's market moves will have investors scrambling to adjust their holdings.

Mr Kevin Sluder, senior fixed-income trader at First Chicago NBD, said: "There's some significant volatility ahead of us."

One question today will be whether US mutual fund investors start selling, or if they see

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Albania	LEK 220	Germany	DM4.00	Lithuania	Lis 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Esc240	Turkey	L70,000
France	FFr11.50	Lebanon	L£3,000			UAE	Dh12.00

No 32,930 Week No 11

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Mrs Tansu Çiller: "We need to take a few more radical steps, not many more"

Reluctant Çiller gives up power

By John Barham and Edward Mortimer in Ankara

Mrs Tansu Çiller, Turkey's outgoing prime minister, began a nine-month period out of power at the weekend by saying she intended to retain a strong voice in running the country's affairs.

Mrs Çiller and Mr Mesut Yilmaz, the new prime minister, have agreed to rotate the premiership as part of the coalition agreement between their two rival conservative parties.

She said: "I will sit together with Mr Yilmaz and talk about these affairs together. As far as internal and external affairs are concerned we will come up with policies together."

Mrs Çiller and Mr Yilmaz have divided government portfolios between their parties. Mrs Çiller's True Path party has nine ministries, including the foreign ministry. Mr Yilmaz's smaller Motherland party has eight, including defence and interior. Each has eight ministers of state in the 33-member cabinet.

However, they will share economic policy-making. Mrs Çiller said she planned to insist on her views: "This is a coalition government, and the larger party is my party, and what I did was a personal sacrifice. [True Path is the larger party, but Mr Yilmaz will take the premiership first.]

"The party is there and the ministers I have chosen are there. I am trying to support this government because the success of the government is the success of the country. Having gone through such a hard time, with a very radical stabilisation programme I know exactly what needs to be done further. When I insist on something it's not because I want it, it's because it's a necessity for the country."

Mrs Çiller recognised that winning parliamentary approval for reforms would be difficult, since the coalition is 15 seats short of a majority in parliament. It must rely on support from the centre-left Democratic Left party of Mr Bülent Ecevit, a former prime minister.

"If we go along with consensus as far as parliament is concerned it will not be radical enough. We need to take a few more radical steps, not many more." Mrs Çiller said reforming the social security system was the new government's top economic priority: "Its deficit is almost as big as the budget deficit. And we have to overcome it with a minority government."

Mr Ecevit has warned he is not committed to allow passage of any measures "which go against our principles", which suggests such economic reforms will indeed be difficult for the new government to push through.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher Hugh Carnegy 468 618 6088. Printer AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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Fury over UK-French attempt to exclude European parliament

Move to keep MEPs out of IGC

By Lionel Barber in Palermo

Britain and France yesterday blocked a plan to invite the European parliament to take part in negotiations in the EU's coming intergovernmental conference. The Anglo-French alliance offers a foretaste of battles in the IGC and is sure to provoke an angry reaction from MEPs meeting at their plenary session in Strasbourg this week.

The two countries' opposition surfaced at a weekend meeting of EU foreign ministers in Palermo, Sicily, and provoked bitter criticism from several member states.

Mr Klaus Kinkel, German foreign minister, described the UK-French opposition as "unacceptable". Mr Carlos Westendorp, Spanish foreign minister, said MEPs should be offered a seat at the negotiating table. "It's 13 countries against two," he said.

Most EU member states argue that the parliament has earned a role in the IGC because it is a directly elected body, as opposed to the technocrats and civil servants who will handle most of the negotiations. Two MEPs also took part in last year's high-level group of experts preparing the IGC.

But Britain and, particularly, France are adamant that the IGC concerns negotiations between sovereign national governments and that its outcome will be ratified by national parliaments. The European parliament, which was not represented in the Maastricht treaty talks, is required to give its "opinion" only.

A joint UK-French draft proposed that MEPs could have contacts with representatives of EU foreign ministers every two months, and a meeting with EU foreign ministers once every six months, on the IGC negotiations. The president of the parliament could also offer his views to EU heads of government on summits dealing with the IGC.

One EU diplomat in Palermo described the UK-French draft as "insulting" and predicted trouble ahead, particularly since Scandinavian countries see the parliament as a safety valve for public opinion.

The Italian presidency put forward a compromise which favoured "regular" contacts between the parliament and the member states on the IGC, which is expected to last up to 18 months.

The failure to strike a deal in Palermo means that further talks will be held at ambassadorial level in Brussels.

● Mr Malcolm Rifkind, UK foreign secretary, said he would shortly produce a paper on the pros and cons of holding a referendum on the single European currency. The paper could appear as early as this week, he said.

French set to air some grievances

By David Buchan in Paris

The French government will set out its general position regarding the forthcoming European intergovernmental conference (IGC) in a declaration to the National Assembly on Wednesday that will probably stir less controversy than the debate itself.

Many deputies, particularly within the governing centre-right coalition, may want to use the occasion to air a series of Euro-grievances. These include the perceived damage to France of "competitive devaluations" by some of its neighbours, and the difficulty posed by what it considers to be lax Dutch drugs policy in removing controls on borders within the Schengen convention.

These may seem secondary issues to the overall French goals of keeping economic and monetary union on track and of reforming Brussels institutions so they can play a more effective foreign and security policy role. But the government was pushed by the assembly last month into proposing tougher action against countries remaining outside Emu which abuse their exchange rate freedom.

The main French political parties – or at least their leaders – broadly agree on the need to take more decisions on regular EU business by majority, to boost the power of the Council of Ministers in which bigger states like France should have a more weighty vote, to reduce the number of commissioners in a European Commission which should focus more on executing than on making policy, and to streamline EU foreign policy and add a defence dimension to it.

Much of this Gaullist-tinged consensus rests also on the accommodation reached last year between President Jacques Chirac and Chancellor Helmut Kohl, who has not endorsed the Euro-federalist proposals of some in his party. Indeed, the relative ease with which France and Germany have arrived at a joint position has somewhat blunted the call by Mr Edouard Balladur, the ex-prime minister, for a new pact between Paris and Bonn. In the absence of serious strains between France and Germany, their existing 1963 Elysée treaty still seems adequate.

Therefore, Mr Chirac and his government go into the IGC in Turin with their parliamentary rear and their flank across the Rhine relatively well safeguarded. In this comfortable position, the president is said to be planning nothing more in the run-up to the opening on March 29 than penning a major article in the French press.

According to Elysée officials, this will stress in particular Mr Chirac's commitment to reaching Emu on time and to forging stronger European defence by reforming his forces at home and the institutions of Nato and EU abroad.

But there is still wrangling over other aspects of European policy within the main political formations. The exception is the UDF, the junior government coalition partner, which is in the throes of a leadership contest but is united on Europe, if on nothing else. But the governing RPR Gaullists and the opposition Socialists are still striving for a full consensus on Europe within their rank and file for adoption by the end of this month.

Many in the RPR, for instance, would like to see national parliaments virtually replace the European parliament and to see France pull out of the Schengen pact. However, they are likely to be brought to heel by Mr Chirac and Mr Alain Juppé, his prime minister and fellow Gaullist, who know such positions are not negotiable with Bonn. Freed from the constraints of government, the Socialists have swung towards demanding that the EU do far more to tackle unemployment. But the influence of Mr Jacques Delors, the former Commission president, has ensured that they have not gone as far as their German counterparts, the Social Democrat party, in making this a precondition for going ahead with Emu.

Socialist leaders believe aggressive unemployment measures are the key to public acceptance of Emu

Socialist leaders yesterday urged the European Union to adopt aggressive measures to fight unemployment as the only way to gain public acceptance of a single currency, writes Peter Wise in Sintra.

European socialist and social democratic party leaders meeting in Sintra, Portugal, called for practical steps to create jobs to be written into the EU treaty when it was revised at this year's intergovernmental conference.

"The goal of full employment should be anchored explicitly in the treaty... and a supervision system for the employment policy of member states should be considered," Mr Franz Vranitzky, the Austrian chancellor, said in a report adopted by the group.

Mr Rudolf Scharping of Germany's opposition Social Democratic party (SPD) said socialist leaders strongly opposed any turning away from the established timetable and economic convergence criteria for European monetary union. Emu was essential to Europe's economic competitiveness and further integration, he said. But it would not win the public support vital to success without "aggressive efforts" to lower unemployment, particularly among the young, and provide more job training.

Setting up a European Employment Union (EEU) that sets employment targets and minimum social standards is one of the main suggestions of Mr Vranitzky's report on how to deal with the impact of Emu on employment and social policy.

Proposals to reduce bureaucratic obstacles to businesses and create jobs by deregulation should be resolutely rejected, he says, because they would lower social standards and damage the environment.

The main task of an EEU, an idea that originates with Mr Allan Larsson, a Swedish social democrat, would be to fix employment goals compatible with public debt levels. It would also seek to improve productivity to resist inflationary pressures and enable uniform social standards to be met.

National and regional programmes would be developed on the basis of employment targets and would be financed by allocating more money to the European Social Fund. Member states not joining the EEU would be not be eligible for ESF funds. To help create jobs, more should be spent on the environment, research and development, education and trans-European infrastructure networks, Mr Vranitzky says. But funds should be raised by reshuffling not increasing the EU budget.

Caspian project partners clear pipeline block

By Sander Thoenes in Alma Ata

The Caspian Pipeline Consortium of Russia, Kazakhstan and Oman has agreed, after three years of haggling, to invite outside investment for the construction of a pipeline to unlock the giant Tengiz oil field.

The agreement, confirmed only by representatives of Oman Oil, could pave the way for Chevron and other oil companies to join the three countries in building the 750km pipeline from Tengiz, in north-western Kazakhstan, to the Russian Black Sea port of Novorossisk.

Chevron, which owns half of a joint venture developing the field, has estimated it could produce 700,000 barrels of crude per day and bring in \$20bn (£13bn) in investment. But lack of a reliable export route has led the company to cut daily production to 60,000 barrels and left Kazakhstan short of badly needed revenue. A new pipeline would provide an export route not just for Tengiz but also for potentially huge oil reserves under the Caspian Sea.

Mr Ed Smith, general director of the Caspian Pipeline Consortium for Oman Oil, said that Kazakhstan, Russia and Oman agreed in Moscow to reduce their stake to just over 50 per cent, with Oman reducing its share from a third to "approximately 10 per cent".

Russian and Kazakh officials declined to comment or were unreachable. Earlier reports of an agreement have proved unfounded, and both Russia and Kazakhstan have backtracked on signed agreements in the past.

Mr Smith said Russia and Kazakhstan would still need to agree on their stakes, based on the assets they brought to the project. But even a preliminary agreement could set the ground rules for talks with potential investors in London on Friday. Mr Smith said Agip, Arco, British Gas, Chevron, Mobil and the Russian companies Lukoil, Transneft and Rosneft were expected to attend.

Since the consortium was founded in 1992, Chevron has refused to join on the grounds that Oman Oil wanted it to provide the bulk of the investment as well as pay a transport tariff, in return for a stake of only 25 per cent."

"We're encouraged by the flexibility demonstrated by Russia, Kazakhstan and Oman in reaching agreement on a viable business structure for a workable project," said Mr Mike Libbey, a Chevron spokesman, adding that his company would attend the London meeting.

Mr Smith said Kazakhstan would probably agree to hand over more of its share than Russia, on the grounds that the Russian assets were more valuable. Kazakhstan has been loath to cut its share but has been unable to find investors for a pipeline that would evade its northern neighbour.

President Nursultan Nazarbayev of Kazakhstan announced in January that his country and Russia had agreed to cut their stakes to 25 per cent each, leaving only 5 per cent for Oman Oil. Other Kazakh officials claimed Oman Oil had lost all rights to the project because it had missed a financing deadline last fall.

Chevron, Mobil, British Gas and Agip last year submitted an alternative proposal for a consortium without Oman Oil, but some have indicated they would not object to Oman keeping a minor share. Lukoil, which last year brokered a deal between Azerbaijan and Russia for a similar pipeline, recently claimed success in lobbying for a share in the Tengiz project. Mr Smith said Lukoil's expected share would supplement, not replace, the Russian government stake.

To obtain bank financing, most experts agree, new members of a consortium would still need more solid Russian guarantees, both on legal rights to the assets provided by the Russian government and on the volume of Russian oil shipped through the pipeline in the initial stages of the project.

Many oil experts had presumed that Russia had made its co-operation contingent on political concessions from Kazakhstan, for instance on the disputed status of the Caspian Sea. But Moscow also stands to gain from transport fees and from the first phase of construction, which would clear a bottleneck in the Russian pipeline network near Novorossisk.

EUROPEAN PRESS REVIEW

Decisive poll proves most indecisive

SPAIN

By David White

On a bright morning a week ago, Spaniards awoke to find a distinct whiff of Mediterranean politics had wafted in on the breeze. General elections, which the combative daily *El Mundo* had confidently billed as "the most decisive in 20 years of democracy", turned out to be the most indecisive.

It was an upside-down kind of election. The centre-right Popular party won, but looked stunned after securing fewer seats than previous winning parties. The Communist-led United Left also gained, but was down in the dumps. The Socialists were defeated, for the first time since 1979, but were laughing. And the Catalan nationalists of Convergència i Unió lost ground but, with all of 16 MPs, were now able to call the shots.

The week's initial rounds of inter-party conversations brought Spain no closer to a new government, with a reluctant suitor – the PP – courting an even more reluctant Catalan partner.

Editorialists pondered the risk of slipping into Italian-style politics. Newspapers as far apart as *El País*, broadly sympathetic to the outgoing Socialist administration, and the strongly conservative *ABC* both said it would be "a collective failure" if there had to be another election.

"Prolonging the current provisional situation, apart from revealing the cleverness of certain political leaders, could bode ill for the Spanish economy," El País cautioned. The financial newspaper *Cinco Días* described the result as "a sad victory" for the PP leader, Mr José María Aznar. "Unfortunately, the election results are not an invitation to consumers and investors to mobilise," it said. The Spanish economy, it reckoned, was ready to embark on a more ambitious growth phase. "All that it needs is that the politicians should not become an impediment."

El Mundo, which had set its heart on finishing off Mr Felipe González, prime minister for the past 13 years, saw the main message of the elections as the defeat of *felipismo* – "a welcome historic event". But it was also critical of Mr Aznar, complaining of his "worrying lack of sensitivity" towards Catalan and Basque nationalism.

"He must recognise openly that he made a mistake in Catalonia... It is as elemental as that: you cannot engage in politics in Catalonia against the immense majority of Catalans," it said. Mr Aznar had to show he was as centrist as he claimed. "Either he will have to govern from the centre, or not govern."

El País deplored the lack of a consensus culture in Spanish politics. "The sectarianism and aggression that have become part of political life, especially in the past three or four years, do not correspond with the reality of Spanish society."

EL PAIS

"Prolonging the current provisional situation, apart from revealing the cleverness of certain political leaders, could bode ill for the Spanish economy"

In a later editorial, El País pointed out that it would be technically possible to form a government without the PP. Equally, if Mr Aznar lost his investiture vote next month, the king could nominate another PP candidate, or an independent.

"An unthinkable folly," retorted ABC. King Juan Carlos had too much "prudence and good sense". Mr Aznar, it insisted, was the only possible candidate for prime minister, and was condemned to reaching an understanding with the Catalan party.

But for *Diario 16*, the Catalans' conditions for backing Mr Aznar "border on childish absurdity". It dismisses as "ridiculous" their insistence that the PP should recognise Catalonia as a "nation" rather then a region.

"All these demands for solemn declarations of principle, apart from being sterile and useless, are aimed only at humiliating the adversary... When political parties in any democracy make agreements, they do not agree on the mystery of the Holy Trinity, but on concrete programmes."

It called for a fully fledged coalition with regionalist parties, based on a more federal state. "The ballot-box has created an historic opportunity to complete something that was unfinished and to do away with secular fears and resentments," it said.

However, the Barcelona daily *El Periódico de Catalunya* said grassroots Convergència supporters were "unanimously and radically opposed to an agreement with Aznar". It summed up the dilemma of the negotiations: "This is a process which has to be gradual but which must be done in as little time as possible."

The Catalan-language daily *Avui* doubted if a pact could be reached in time. "It is not possible to improvise a regional policy radically different to the one proposed in [the PP's] own programme in a few days." Other regions with PP governments, it said, were opposed to granting special concessions to Catalonia, and the PP was allied to "viscerally anti-Catalan" parties in Aragón and Valencia.

"Between now and the investiture debate, there can be no miracles." The only option was for Mr Aznar to seek co-operation, or non-belligerence, from the Socialists.

Aznar warns on single currency

Spain would write-off its chances of qualifying as a founder-member of the European single currency if it were forced to hold another general election this year, Mr José María Aznar, leader of the centre-right Popular party, said yesterday. David White writes from Madrid.

Mr Aznar, who is trying to negotiate support for a PP government after his party's narrow election win last week, said in an interview with the daily newspaper ABC that new elections would "totally and definitively" rule out prospects of meeting the European Union convergence criteria. "It would be extremely serious for Spain and would mean missing the Maastricht train and the opportunity of placing the Spanish economy in a process of growth, reform and job-creation."

German spending cap fears resurface

By Michael Lindemann in Bonn

Forecasts that the German budget deficit this year – predicted at DM60bn (£27bn) – would in fact be DM20bn higher have prompted fears that Mr Theo Waigel, the finance minister, will have to announce a cap on government spending because of lower tax revenues.

Press reports suggested the spending restrictions would only be introduced after three state elections had taken place on March 24, the next important date in Germany's political calendar. However, the finance ministry insisted no decision had been taken and that a final decision had "nothing to do with the elections".

Fears about lower tax revenues caused Mr Waigel to demand last October that all government expenditure over DM1m be cleared with his ministry. That spending cap, however, ran out on December 31.

According to weekend press reports both Ms Ingrid Matthäus-Maier, the Social Democrat's budget spokeswoman, and an unnamed member of the governing Christian Democrat coalition warned that this year's budget deficit would be DM20bn higher than expected because of lower tax revenues and the higher costs of rising unemployment.

However, the finance ministry said it expected tax revenues to be DM6bn lower than forecast last November.

Lady Thatcher unleashes Star Wars broadside in US

By Bruce Clark, Diplomatic Correspondent

Lady Thatcher, the former British prime minister, has plunged into an intensely partisan US debate by calling for a new version of Star Wars to ward off the threat from rogue states with nuclear, chemical or biological weapons.

In a speech at the weekend in Fulton, Missouri – where Winston Churchill warned 50 years ago of an "iron curtain" descending on Europe – she berated the west for failing to prepare for a new threat from weapons of mass destruction.

The lecture's timing and location were clearly intended to create the impression of an appeal to history that rose above daily politics. But her chosen theme was one of the touchstone issues in Washington's ideological debate.

The speech placed her in the camp of the conservative Republicans who are pressing President Bill Clinton to renounce the anti-ballistic missile (ABM) treaty of 1972 and invest heavily in a nuclear shield.

The issue provides one of the sharpest dividing lines in the US foreign policy debate. Preserving the ABM treaty has been central to Mr Clinton's policy of co-operating with Russia over core arms-control issues, even at times when relations between the two countries are under strain.

Lady Thatcher threw her weight behind Senator Jesse Helms and other conservatives who argue that the ABM treaty is a cold-war relic with no relevance to an age when up to 20 countries have, or will soon acquire, long-range missiles.

"Acquiring an effective global defence against ballistic missiles is... a matter of the greatest importance," she said, adding that "co-ordinating the contribution of America's allies" to such a system could provide a new mission for a rejuvenated, enlarged Nato.

For Washington's political right, the speech was a boost for their attempts to demonstrate that Mr Clinton's handling of pariah states has been soft.

"Lady Thatcher is on target," said Mr Joshua Muravchik, a conservative foreign affairs analyst. "If we are going to allow irresponsible states like North Korea to keep their arsenals, it's essential that we have defences against them."

But her vision of an expanded Nato, renewing itself through a new Star Wars programme, will not meet with universal approval among strategists, even conservatives, on either side of the Atlantic.

In the past, US plans to build a nuclear shield have alarmed Europeans, who feared that their territory would be left unprotected – and US defence contractors would be the principal beneficiaries.

"To European defence ministries, a nuclear shield sounds like isolationism or American techno-lunacy," said Mr Dan Plesch, director of Basic, a leftwing think-tank.

In the US, meanwhile, part of the conservative constituency which favours anti-missile defences has become sceptical about maintaining, let alone extending, the US commitment to protecting western Europe.

US opponents of Nato enlargement range from isolationists such as Mr Pat Buchanan, the Republican presidential candidate, to veteran arms control experts like Mr Fred Ikle who argue that alienating Russia is too high a price to pay.

NEWS: MIDDLE EAST

EU appeals to Israel on aid for Gaza

By Lionel Barber in Palermo

The EU yesterday appealed to Israel to allow food, humanitarian and construction aid to flow to Palestinians in Gaza, in an attempt to shore up President Yassir Arafat.

They tempered their plea with support for Mr Shimon Peres, Israeli prime minister, and approved a joint approach to Iran and Libya to end their support for terrorism.

At a weekend meeting in Palermo, Sicily, EU foreign ministers rejected US and Israeli pressure to break off "critical dialogue" with Iran. The Tehran regime, suspected of financing and organising terrorism, has offered moral support to the suicide bombers in Israel. A joint statement underlined the EU's determination to bolster its diplomatic engagement in the Middle East prior to the anti-terrorism summit in Egypt on Wednesday.

The Union's declaration – studiously even-handed – said safeguarding the security of Israeli and Palestinian populations was a "fundamental element" in carrying out the peace process, which had to be made "irreversible".

While urging President Arafat to take every step to arrest those responsible for terrorism, the statement added: "We recognise the hardship imposed on the Palestinian population resulting from the closure by Israel for security reasons of all land and sea borders with Gaza and the West Bank.

"We therefore call on Israel to allow humanitarian assistance and materials for the internationally financed reconstruction programmes to go through, under appropriate security safeguards, but without undue delay."

Diplomats said the EU was determined not to isolate Mr Arafat, under pressure from the Israeli government to clamp down on the militant group Hamas.

The EU is giving Ecu90m ($112.5m) to the Palestinian territories in 1996, almost half the international aid effort and triple the US contribution. But despite efforts to make the Middle East a showcase for its fledging common foreign and security policy, the Union's initial reaction to the suicide bombings last week was convoluted.

Mrs Susanna Agnelli, Italian foreign minister who chaired the talks, made little effort to hide her frustration over French suggestions that a weak Italian presidency had forced Mr Hervé de Charette, French foreign minister, and Mr Klaus Kinkel, his German counterpart, to fly to Israel in the wake of her own visit.

The EU's anti-terrorism approach to Iran and Libya will be handled by senior officials from Spain, Italy and Ireland, which form the so-called troika of past, present and future EU presidencies.

Syria was initially on the target list as well, but several countries and the European Commission objected that Damascus was a party to the peace process.

Mr Süleyman Demirel, Turkey's president, arrives in Israel today for a four-day tour, which is expected to focus on issues such as the Middle East peace process and terrorism, John Barham reports from Ankara. Turkey has become one of Israel's closest allies in the Middle East.

Mr Demirel is expected to sign a free trade agreement with Israel, eliminating import barriers on almost all bilateral trade. A four-year transition period will protect certain "sensitive" sectors, particularly Israel's textile industry.

Turkey is also expected to conclude a $650m (£422m) contract with Israel Aircraft Industries soon, to upgrade 54 Turkish Air Force Phantom F-4 fighter bombers.

Journey of fear on Jerusalem's bus No 18

Julian Ozanne speaks to commuters using a route hit by bombers on consecutive Sundays

On two consecutive Sundays Jerusalem's Number 18 bus has been blown apart by Islamist suicide bombers during the morning rush hour, killing 44 people. Yesterday, as passengers boarded the 6.47am No 18 service, there was a palpable sense of fear.

"They have made us so afraid to do the thing that normal people everywhere do without thinking – take a morning bus to work," said Ms Sarit Aldema, a 20-year-old student who trembled as the bus passed near the Old City. This is the stop where police believe the Palestinian suicide bombers boarded the buses attacked.

"When you wake up, you think maybe it's better to leave a little later. As you leave the house you think, Shall I take this bus, or maybe wait for the next one? – which one will be more lucky? The worse thing is that it makes you afraid of every Arab you see. Maybe he will be the one coming to kill us."

Ms Aldema said that since the first bus bombing on February 25 she had avoided taking the bus and instead used taxis. "But this isn't an answer. We must trust the security forces otherwise we will live in fear forever."

Yesterday's fear was exacerbated by a Hamas threat to cancel its offer of a four-month ceasefire and to carry out more bombings. Bus drivers said many of the No 18s were nearly empty. All along the route soldiers patrolled the bus stops, questioning morning commuters, searching bags and boarding the bus to check the litter bin.

Tense passengers scrutinised everybody who got on the vehicles. At the Old City, several Arabs were splayed out against a corrugated iron fence being frisked by police in bullet-proof jackets.

The bombings of the No 18 buses have had a devastating effect on the Katamon neighbourhood, the first community on the route to central Jerusalem. Many of the bombing victims lived in Katamon.

"I take the No 18 every morning," said Ms Gluskin Tatianya, a Katamon resident who arrived from Russia five years ago and works at the Yad Vashem holocaust museum. "I used to see the same faces on the bus everyday and now, suddenly, they are not here anymore. There is a very big pain of loss in my heart.

"Look around, everybody is afraid. Nobody knows what will happen. Only God knows."

Eight of the victims of the first bombing lived in Katamon; three were from the same school. Many of the Katamon residents on yesterday's bus told how they had narrowly avoided taking one of the doomed vehicles on the two previous Sundays.

Show of force: An Israeli soldier boards a near-empty No 18 bus in Jerusalem yesterday AP

Those who narrowly escaped death drew deeply on their Jewish faith.

Mr Avraham Cohen took the No 18 every day from Katamon on his way to work at the Motza winery on the outskirts of Jerusalem. On the first Sunday he got off the bus seconds before it blew up. On the second Sunday he was seriously wounded. "Apparently somebody is watching over Avraham," his brother Salim told an Israeli newspaper.

"In one week his life was given to him as a gift twice. This time, after he heals, God willing, we will take him to synagogue to say the rescue prayer." The *gomel* (rescue) prayer is a traditional Jewish blessing for those who have miraculously passed through a life-threatening experience.

Among the bravest people on the No 18 route are the drivers of the Egged bus company who have consistently turned up for work. The Gonen bus station, where the No 18 originates, has been nicknamed the "cursed station". Five buses from the Gonen station have been attacked since 1967. Last week Mr Shmuel Halifa, Egged's Jerusalem director, said: "The drivers feel like they are in the middle of a game of Russian roulette." A psychologist has been hired to counsel them.

Many of the drivers wrap themselves in *tefillin* – leather straps and small boxes containing Hebrew texts worn by Jews during prayer – and say prayers before they start their work. "In these times belief is our weapon," said one driver.

Their wives also suffer. "My wife was very worried this morning," said Mr Benny Benjamin, the driver of yesterday's 6.47am bus. "She said I must look left and right and look at everyone who gets on my bus as a potential terrorist. It's really tense on the buses, but especially on this No 18. It reminds me of the Lebanon war."

The grief and mourning in Israel last week cast a shadow over Purim, the Jewish festival when children dress up in masks and costumes.

Many children were overwhelmed and confused by the atrocities. But Vladik Koshnirov, 8, who lost his parents in the first attack on bus No 18, provided a remarkable glimmer of hope.

After the second bombing he described how he had gone to bed and imagined he was talking with his dead parents. "I told them a horrible tragedy happened, and that many people are crying. I told my mother I am afraid, because every Sunday they blow up a bus in Israel and I am worried.

"I want to dress up as a Hamas man, to penetrate into the Gaza Strip and find the Hamas leader there. I want to plead with him 'enough murder, don't kill any more Jews, let's be friends'."

Election boost for Rafsanjani

By Robin Allen in Dubai

Iranian President Ali Akbar Hashemi Rafsanjani's chances of accelerating economic reform appeared to have improved at the weekend following gains made by reformist candidates in the first round of parliamentary elections, held on Friday.

Early results issued yesterday suggested the reformist centre-right faction, the Servants of Construction (also known as G16), had made gains at the expense of conservatives, represented by a group known as the Assembly of Combatant Clergy. This group had held a majority of 150-160 seats in the former parliament.

More than 32m people were entitled to vote in the race for 270 parliamentary seats. Political commentators suggested about 60 per cent voted.

Economic issues dominated the elections. Public criticism had focused on soaring inflation, officially put at 54 per cent, and a stagnant economy. The business community, in particular, is critical of the government's top-heavy role in the economy.

By yesterday evening, the G16 was claiming it had won more than 65 of the 140 seats where results were known. Commentators in Tehran were unsure, however, how many of these were outright wins. Traditional conservatives had won 35 seats outright, 53 had lost their seats, and 21 have to contest a second round.

The only outright winner in Tehran, which returns 30 members to parliament, was President Rafsanjani's daughter, Faezeh Hashemi, who, like her father, is a strong supporter of economic adjustment and liberalisation. She was standing on the G16 list.

Observers said that her success, and that of the first outright declared winner in Isfahan, also a woman on the G16 ticket, could encourage many women to vote in the run-off. This is due on April 20.

Mr Bijan Khajehpour, managing director of Tehran-based Atieh Bahar Management Consultancy, suggested the moderates might ultimately emerge with enough seats, possibly 100, to form a loose coalition with independents, represented by provincial businessmen and other individuals well known in their communities.

This might be enough to give Mr Rafsanjani the authority he needs to push ahead with reforms, and to ensure that his successor in presidential elections in August next year continues with his policies.

UN team searches Baghdad building

United Nations arms experts found no prohibited documents or materials in a Baghdad government building searched over the weekend, **Reuter** reports from Baghdad.

The UN special commission disarming Iraq searched the building housing the irrigation ministry, where they suspected Iraq had hidden documents related to its banned weapons. About 40 international arms experts were refused access when they tried to enter on Friday.

Baghdad later allowed them in after a claim from the Security Council that Iraqi obstruction constituted a violation of ceasefire terms that ended the 1991 Gulf war over Kuwait.

The building was previously occupied by the FAO establishment, one of Iraq's largest state-owned companies, which spearheaded the country's post-Gulf war reconstruction drive.

Under the ceasefire Iraq has to rid itself of missiles with ranges beyond 150km, along with the means to produce them. This is a precondition for the lifting of UN sanctions.

INTERNATIONAL NEWS DIGEST

China reforms to cost £39bn

Reforms of China's loss-making state enterprises, including the shedding of millions of surplus workers, would cost some Yn500bn (£39bn) during the next five years, according to the State Statistics Bureau. This is the first time China has put a figure on reforming the debt-burdened state sector and reflects the magnitude of the task facing Chinese policmakers.

The statistics bureau forecast reforms would mean shedding 8m jobs at a cost to the state of Yn160bn. The cuts would represent about 10 per cent of China's state-employed industrial workers. China would also earmark Yn280bn to strengthen the balance sheets of loss-making companies. These funds would go to 1,000 key enterprises singled out for special assistance. This will involve providing help, including debt forgiveness, low-interest loans and technical assistance, for enterprises deemed critical to the national interest, while allowing the rest to fend for themselves.

China has indicated that it will encourage mergers, acquisitions, privatisation or bankruptcy for enterprises that cannot make their way. The statistics bureau report said Yn85bn would be set aside to off-set bad debts of state-run firms to be declared bankrupt. *Tony Walker, Beijing*

GE and RR plan aircraft link

General Electric of the US and Rolls-Royce of the UK are putting the finishing touches to arrangements that will see them working together to design and produce a new generation of engines for US military combat aircraft.

This would be the first substantial link between the two groups since their civil engines alliance ended in 1987 amid recriminations on both sides.

The two have been brought together again by Rolls' acquisition for £300m last year of Allison, a US engine producer that already had joined GE to develop engines for the US's Joint Attack Strike Technology (Jast) programme.

Rolls said yesterday it was "looking to formalise our relationship in the team lead by GE". An official said this could be "quite important" for Rolls, but only in the long term, because the new US combat aircraft were not expected to be flying until about 2005.

The GE team is competing with another US group, Pratt & Whitney, for Jast orders. They are to develop two engines, one a vertical take-off power plant. Rolls claims to be the only aircraft engine maker with experience of designing and producing such power plants. *Kenneth Gooding, London*

Call for new Bangladesh polls

Bangladesh's main opposition leader yesterday urged the country's president to form an interim government and supervise fresh elections to end the country's two-year-old political deadlock. But Sheikh Hasina, head of the Awami League, said her party and two others would resume their "non-co-operation" campaign of strikes and protests within 24 hours unless Mrs Khaleda Zia, the prime minister, resigned and annulled last month's boycotted poll. "We will call off all protests as soon as the caretaker administration takes charge," she said.

More than 70 people have been killed and over 1,000 injured in violent clashes since the February 15 election returned Mrs Zia's Bangladesh Nationalist party to power essentially unopposed. Clashes continued yesterday as President Abdur Rahman Biswas met Sheikh Hasina and other opposition leaders – at Mrs Zia's suggestion – for talks on the conflict. Mrs Zia has acceded to opposition calls that a neutral interim government hold fresh elections, but insisted this must be accepted by the new parliament. Sheikh Hasina says the opposition does not recognise the parliament and called an indefinite stoppage. *Mark Nicholson, South Asia Correspondent*

Japan to cut drug prices

Japan is to cut official drug prices used to reimburse medical institutions by an average 8.5 per cent.

The cut, announced on Friday, comprises a 6.8 per cent general price reduction and an average 1.7 per cent additional cut for drugs which have posted unexpectedly high sales.

The move is part of the government's effort to reduce the mounting health care bill borne by the state. Drug spending accounts for 30 per cent of Japan's Y27,500bn (£170bn) overall annual medical costs. The price cuts are aimed at reducing the Y1,200bn in profits made by medical institutions which buy the drugs from wholesalers and pharmaceutical companies at discounts and are reimbursed by the state at official prices.

Companies whose drugs have been targets of special price reductions include Ono Pharmaceutical, a company based in Osaka, which faces a 25 per cent price cut in Kinedak, a diabetic neuropathy drug which accounts for 24 per cent of its profits. *Emiko Terazono, Tokyo*

Cubans' nostalgia powers Florida politics

Patti Waldmeir meets exiles who are a voting force to reckon with in Miami's primaries

Alfredo Duran is homesick for Cuba. He was not born there, has never lived there and visited Havana briefly only once. But for all of his 34 years, Mr Duran, who publishes a Spanish-language newspaper for second-generation Cuban exiles, has felt what he calls "a profound nostalgia for Cuba".

That nostalgia is a potent force in the politics of Florida, which votes tomorrow along with six other states in the "Super Tuesday" presidential primaries.

It is also a sentiment which has made Cuban-Americans one of the most solidly Republican ethnic voting blocs in the nation, a group with enormous rightwing clout and influence over US policy towards Cuba.

But it *is* also a sentiment which has sent men to their deaths: Carlos Costa and Mario de la Pēna, two of the pilots shot down by Cuban fighter jets two weeks ago, were also born and bred in America. They were exiles, like the 700,000 other Cuban-Americans in south Florida – but from a country they never knew.

For 37 years, Cubans have fled to Miami, political or economic refugees from Fidel Castro's communism. Now they have achieved critical mass: Cuban-Americans control municipal government – sometimes winning a reputation for strong-arm tactics – and dominate the city's culture. The psychology, the pace, the language and the body language of Miami are all Cuban. Spanish is spoken everywhere in the streets, and not just by those who sweep them.

Miami is a powerfully insular ethnic enclave, where one can be delivered by a Cuban obstetrician, buried by a Cuban undertaker, and live the life between in a Cuban cocoon.

Unlike earlier immigrant communities, Cuban-Americans have fought assimilation. They came to America not to make a new life, but to wait for the restoration of the old one.

Even after 37 years – years which have been good to the exiles, some of whom have become millionaires in Miami – America is still not home. Whether in working-class Hialeah, with its faded pastel bungalows and fenced untidy yards, or in upmarket Coral Gables, with its blend of American opulence and Spanish charm, the anger seethes.

Time has not mellowed their fury: each new wave of wretched indigents arriving on rafts, each new visit from penniless relatives, has fuelled it.

Last month's loss of two unarmed Cessnas – flown by Brothers to the Rescue, an exile group which rescues fleeing refugees from the waters off Cuba but has also dropped political leaflets over Havana – has given old passions a new focus.

Cuban-Americans nurture exile like a wound which they continually re-open. The original wound – the expropriation of the petrol station or the grocery store, the cattle ranch or the sugar estate – is compounded by nostalgia for 1950s Havana, where tribal memory says the breeze was cooler and the palms greener than in Miami.

But the real wound, even for those who left Cuba as small children or were born in Miami, is the loss not of a country but of a homeland.

Otto de Cordoba is a successful Cuban-American lawyer with an elegant office overlooking a sparkling ocean: he left Cuba when he was four, remembers nothing about it, but still speaks with a slight Cuban accent and holds what he calls a "personal grudge" against Castro. "He took away my patrimony."

Mr de Cordoba would like to sue to recover expropriated family property, but even under the harsh legislation passed last week by Congress, this would be difficult, as it has no retrospective provisions. But most of all, he would like his homeland back. He loves America, but his feeling for Cuba is deeper still. "I would fight and die for this country," says Mr de Cordoba. "But in my heart of hearts I'm Cuban."

Presidential candidate Steve Forbes, campaigning in Miami, became attached to a macaw which he named Bob Dole AP

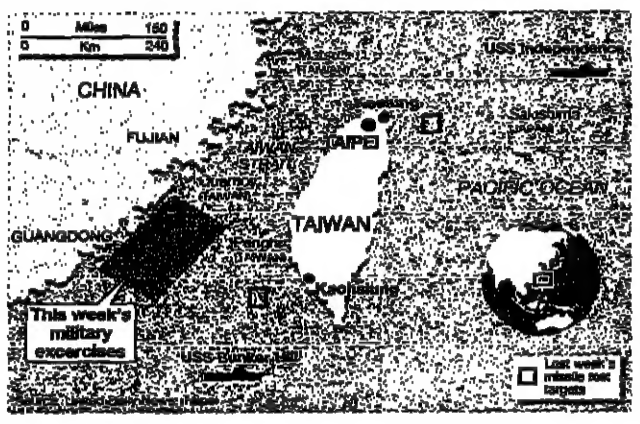
That statement masks a crisis of identity felt by Cuban-Americans. Many say they do not even know where they wish to be buried: one Miami banker spoke for many when she said she wanted her ashes strewn in the Florida Strait, between the two countries.

But Cuban-Americans will not always have the luxury to avoid such choices. "People are waiting with a mixture of expectation and dread for the day Fidel falls," says Mr de Cordoba's brother, José. "Then they will have to look in the mirror and say, 'what am I?'" - and decide whether to return to Cuba.

Surveys conducted by Florida International University show that only 20 per cent of exiles plan to do so.

Prof Lisandro Perez, an expert on the exile phenomenon, says returning is not the point. "The goal of the exile community is to triumph over Castro, not necessarily to go back."

Most Miami Cubans dream of a day when they can make the island a second home; they talk of holding breakfast meetings in Havana – but returning to sleep in Miami. True to their entrepreneurial souls, all dream of the business opportunities in a capitalist Cuba. But everyone worries that the past they yearn for will turn out to be a foreign country.



Chinese media keep up pressure against Taiwan

By Tony Walker in Beijing

China yesterday added weight to its campaign against Taiwan with a hard-hitting newspaper commentary warning that Beijing would not hesitate to take military action to stop Taiwanese independence moves.

China also expelled five Taiwanese and Hong Kong journalists yesterday, accusing them of being near a south-eastern coastal area where the People's Liberation Army is holding military exercises.

"We will do everything to safeguard the motherland's unity. We mean what we say," said the commentary, published simultaneously in the People's Daily, the Communist party newspaper, and Liberation Army Daily.

The joint editorial also said that Taiwan's drive to boost its international profile "will bring grave disaster to the 21m Taiwan compatriots, something we do not wish to happen".

The People's Daily commentary warned that the "true danger" to regional security lay in efforts by Taiwan's President Lee Teng-hui to promote "his independence policy" and "sabotage the motherland's reunification".

Three Hong Kong women reporters, whose names and news organisations were not given, were expelled by China's Public Security Bureau officials in south-eastern Fujian province for violating the state security law, the official news agency Xinhua reported.

China earlier released from detention and deported two Taiwan television journalists accused of gathering military secrets in Fujian province.

The three from Hong Kong had been detained on Friday for conducting illegal interviews in an area where the PLA was holding exercises, Xinhua said.

The PLA began missile tests on Friday, firing three M-9s into the sea near Taiwan. The Hong Kong journalists had flown to the provincial capital of Fuzhou last Wednesday, and admitted entering the exercise area to obtain information about the war games, Xinhua said.

The agency said they had confessed to stealing military secrets and had illegally videotaped part of a military exercise. Journalists are not allowed to report anywhere in China without obtaining permission in advance from local authorities.

Jargon befuddles US investors

By Lisa Bransten in New York

When Boston Beer offered shares directly to consumers last year through coupons in its six-packs, it knew it had to make the offering documents simple enough for the average beer drinker to understand.

But by the time the lawyers finished filling the prospectus with legal jargon to fend off potential lawsuits, some of the most salient information was either hard to find or difficult to understand. So to help consumers, the company included a question and answer section to explain the offering in plain English.

"It was our way to deal with the complexity of the offering," says Mr Alex Gregory, one of the investment bankers on the deal and now in Boston Beer's investors relations department.

Now the Securities and Exchange Commission, which oversees the selling and trading of securities in the US, would like to see all prospectuses made simpler for investors to understand. A report issued last week by the SEC's task force on disclosure simplification made more than 100 recommendations to clarify disclosure materials it said were often "turgid, opaque and unreadable".

Among the recommendations were a simple question-and-answer section at the front of the document and the elimination of most legal warnings from the front page.

One reason for the often complex and over-inclusive documents is a US legal climate in which investors often sue investment banks if shares do not hold their value after an offering.

Mr Kevin Cramer, a corporate lawyer at Jones Day in Washington, agrees there is a problem with clarity, and acknowledges his prospectuses are not always as concise as they could be.

As an example, he says he often insists that clients include the following paragraph in offering documents: "There can be no assurance that the market price of the Common Stock after the offering will equal or exceed the initial offering price. Factors such as quarterly fluctuations in the financial results of the Company, announcements of new products . . . by the company or its competitors, and general conditions in the Company's industry, its customers' industries or the financial markets could cause the price of the Common Stock to fluctuate substantially."

He asks: "What are we saying? That prices will go up and down." But if the each reason for share price fluctuation were eliminated investors could claim the company was not specific enough in its warnings. "The problem is how do you protect your clients . . . in words that won't give rise to liability?" he says.

One hope is the securities litigation reform act passed at the end of last year in hopes of shielding companies and underwriters from "meritless lawsuits".

But the legal community does not yet have any experience of how much protection the new law will actually offer. Until then, Mr Cramer says he will continue to try to protect his clients, even if it comes at the expense of writing understandable documents.

Colony's growth would be hit if US withdrew Beijing's MFN status

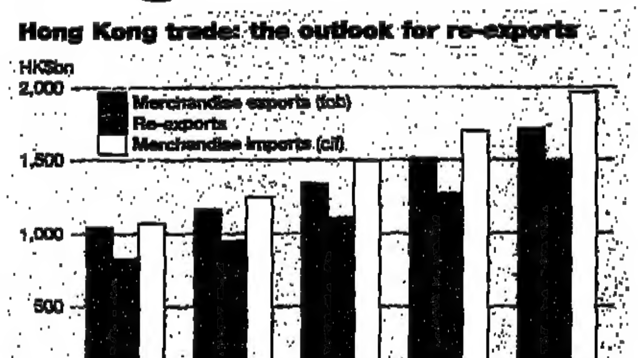
HK warning on Chinese trade

By John Ridding in Hong Kong

Hong Kong's economic growth rate would fall sharply if China lost its Most Favoured Nation trading status in the US, the Hong Kong government warned at the weekend.

Miss Denise Yue, secretary for trade and industry, yesterday left for Washington with the message that growth in Hong Kong's gross domestic product could be cut by 2 to 3 percentage points if China's MFN status was revoked. That compares with a trend for the annual growth rate of about 5 per cent.

Hong Kong trade: the outlook for re-exports



Source: Merrill Lynch

The warning comes amid concerns in Hong Kong about trade relations between China and the US. It reflects Hong Kong's role as a processing port for mainland exports and as a regional hub for trade and related services.

Private economists said it was difficult to estimate the impact on trade flows of China's MFN status. But they agreed that the economic integration between Hong Kong and the mainland, and Hong Kong's role as a trading hub, left it exposed to the MFN issue.

"MFN renewal is a crucial element in the continued economic development of Hong Kong, particularly at this critical phase of the transition," said Miss Yue, referring to the colony's transfer from British to Chinese sovereignty in July next year.

Trade disputes, including a clash over the protection of intellectual property rights, have strained relations between China and the US. Human rights issues in China have also clouded prospects for the renewal of its MFN status.

"We shall argue strongly that the MFN issue should not be linked with non-trade issues," said Miss Yue. She accepted, however, that the situation had become more complex this year as a result of presidential and congressional elections.

According to Hong Kong government estimates, the revocation of China's MFN status could prompt a reduction of between 31 per cent and 45 per cent in re-exports from China to the US. That is equivalent to between HK$66bn ($5.6bn) and HK$96bn worth of shipments.

Together with other related trade flows, the government warned that the withdrawal of MFN status could lead to a reduction of 6-8 per cent in Hong Kong's overall trade, equivalent to between HK$161bn and HK$234bn. "There would be a further loss if China cut back on its imports from the US as a result," said Miss Yue.

Hong Kong's budget for 1996-1997, unveiled last week, forecast real GDP growth of 5 per cent this year. Mr Donald Tsang, financial secretary, said much of the expected trade growth would come from re-exports, which are expected to rise by more than 10 per cent.

Brittan challenges Asia to speed opening of telecoms markets

By Guy de Jonquières

The European Union will today challenge Asian governments to show their commitment to their emerging political dialogue with Europe by pledging to open their telecommunications markets more rapidly to international competition.

Sir Leon Brittan, the EU trade commissioner, will rebuke Japan, South Korea and south-east Asian countries which attended this month's Asia-Europe summit for dragging their feet in World Trade Organisation negotiations on liberalising basic telecoms.

"Not one of these nations has yet offered the kind of comprehensive, effective access to its market that we will need to make a success of the negotiations by the April 30 deadline," he will tell a group of business advisers in Brussels.

"There could be no better way of fleshing out the new Asia-Europe partnership than for all countries to sign up to an ambitious telecoms deal."

More than half the roughly 50 countries involved in the WTO talks have yet to offer any liberalisation measures. Sir Leon will make clear that he considers most of the proposals on the table inadequate.

His public efforts to speed the WTO telecoms negotiations, which are accompanied by intensive private contacts with developing country governments, coincide with clear signs of US dissatisfaction with the EU's position in the talks.

Mr Jeffrey Lang, the senior US trade negotiator, said the EU had given developing countries an excuse for remaining inflexible in the negotiations because it was still not pledged to abolish all restrictions on foreign ownership of telecommunications services.

He said that if the WTO talks were to succeed, Europe, Japan and other industrialised economies needed to set developing countries a good example by committing themselves to full liberalisation.

The US is concerned that France, Spain, Portugal and Belgium still limit foreign investment in their telecommunications industries.

Some of the curbs are set to remain after 1998, when the EU is due to open its telecommunications market to competition.

Mr Lang said the EU had indicated that it was prepared to negotiate on the restrictions. However, he was uncertain whether it would move rapidly enough to ensure a substantial WTO agreement by the end of April.

The US has offered to open its telecommunications market fully to international competition, provided it receives satisfactory liberalisation commitments from a "critical mass" of other WTO members.

Although Washington has not defined what that would entail, it has said it wants a number of WTO members to improve their offers in the negotiations. They include Australia, Brazil, Chile, Hong Kong, Mexico, Poland, Singapore and Switzerland, as well as the EU, Japan and South Korea.

The EU, meanwhile, has expressed doubts about details of the US offer, saying it still appears to contain some limits on foreign access to radio communications licences.

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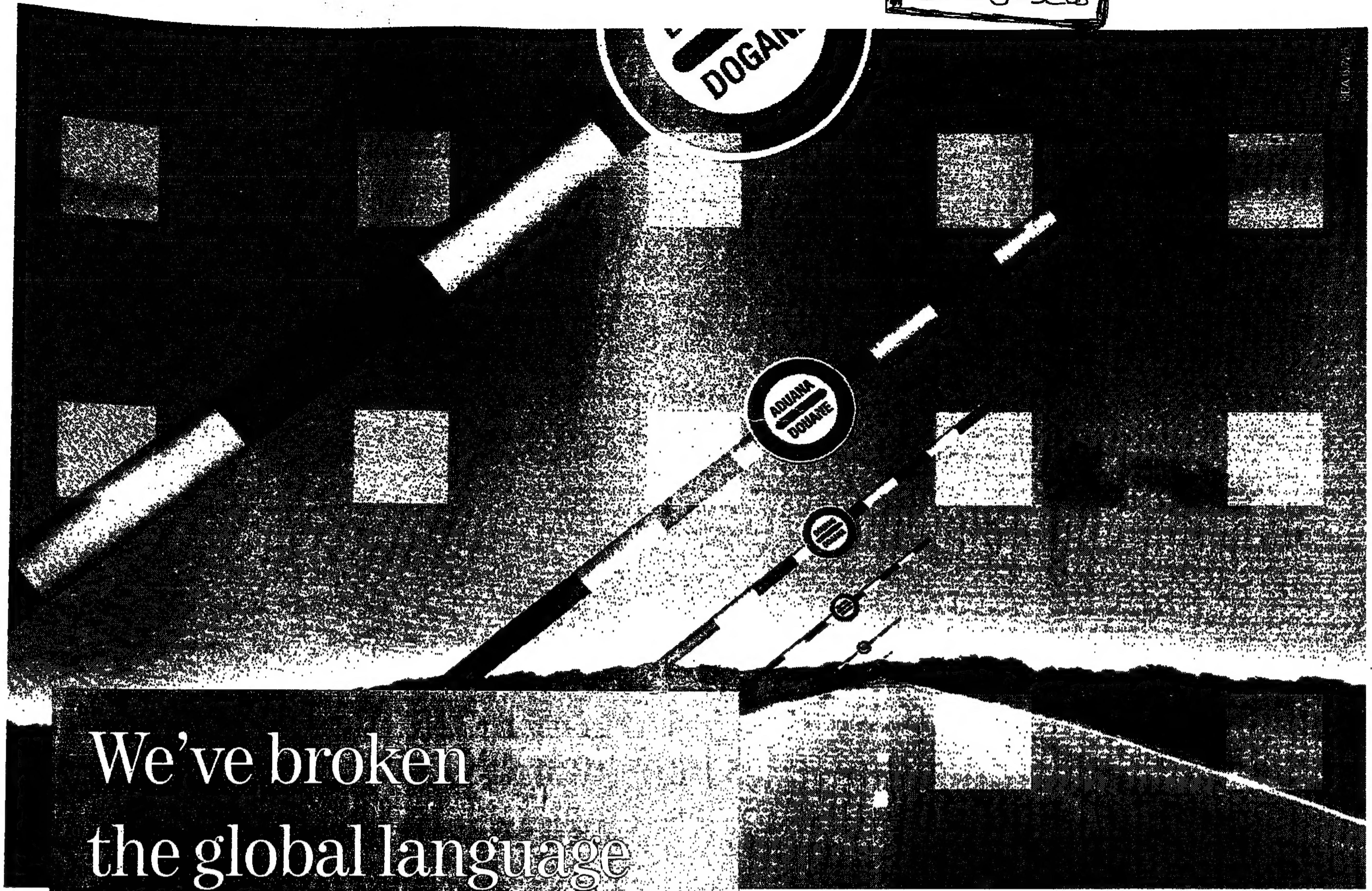

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New law would aid EU financial institutions

By Alison Smith,
Investment Correspondent

Continental European banks would be able to take over UK building societies under plans set to be unveiled by the government next week.

The proposal, contained in draft legislation on building societies, represents a shift away from existing law, which prevents a society's business being transferred to a foreign company.

It would offer European financial institutions another route into the UK personal finance market at a time when the UK mortgage market is showing signs of recovery after the economic recession of the early 1990s.

The government's proposals form part of a far-reaching revision of building society law due to be introduced in parliament in the autumn. They are aimed at giving societies more powers and requiring them to be more accountable to their members.

However, publication of the draft bill will highlight the growing split in the UK home loans sector between societies emphasising the benefits of being mutual organisations, owned by their savers and borrowers, and those which have become or are intending to become public limited companies.

The government's plans are also directed at making it easier for societies to develop and combine as mutuals, without having to be taken over or to become banks in their own right.

They would allow societies to combine in a federation, in which each society remained independent, or through an arrangement allowing one society to own one or more others.

A separate proposal, which would enable a society to keep the name of another it had taken over, would help such deals by allowing the larger society to retain the goodwill associated with the merged society

Under the proposed legislation, financial institutions in the European economic area could gain entry to the UK home loan market through the takeover of a society.

Several foreign banks sold home loans in the UK through intermediaries rather than branch networks in the mid-1980s. They subsequently pulled out of the market after the early 1990s recession. Recent recovery signs could now make the market a more attractive proposition, especially if the option of making an acquisition is more readily available.

Attention in the building society sector is already starting to focus on takeovers and acquisitions rather than conversions because most of the societies large enough to float on their own have already announced that they will do so or have said they have no such plans.

At the heart of the bill is a move away from the current prescriptive regime for societies to a permissive one. It would allow them to pursue a broader range of activities as long as their principal purpose was providing residential mortgages funded substantially by individual savers.

The consultation paper explains why the government does not intend to introduce new restrictions on what benefits can be paid to savers and borrowers in a *takeover or flotation*.

The bill is unlikely to become law without at least a parliamentary debate.

Japanese tool maker set for plant expansion

By Peter Marsh

Yamasaki Mazak, the Japanese company that is the world's second biggest machine tool producer, plans a new phase of expansion at its European manufacturing operation based *in Worcester*.

The company is planning a multi-million pound investment to expand capacity at its Worcester plant by about 20 per cent from this summer, immediately after a £9m ($13.8m) investment plan, *already in train, is completed*.

The new expansion project is thought likely to push annual output of machine tools from the Worcester operation to up to £200m in about two years' time – consolidating the factory's position as one of Europe's biggest machine tool plants.

The plan by the privately owned Yamasaki marks a strong show of confidence by the company in the prospects for machine tool sales in Europe – which are slowly recovering after a poor phase in the early 1990s, linked to the weakened economic conditions across the continent.

It is expected that the new investment plan, to be finished by mid-1997, will create about 50 new jobs on top of the 400 already employed in Worcester, up by 100 from a year ago.

Yamasaki does not reveal its annual worldwide sales but industry estimates put these at about $730m (£474m) in 1994, making the company the *second biggest machine tool* producer after Amada, also of Japan. About 85 per cent of the Worcester plant's output is exported, mainly to the rest of Europe.

Mr Elmar Barz, director of Yamasaki's European *operations, said sales to France* and Germany – which represent two of the big European markets for machine tools – were relatively weak but this was more than compensated for by growing demand for machine tools in *countries such as* Italy, Spain and the former communist nations in eastern Europe.

Mr Barz also said the Worcester plant was likely to switch some exports to south-east Asia and North America after several years in which it had stopped making tools for these countries.

The costs of the new expansion at Worcester, one of the few production operations in Europe run by a Japanese machine tool company, have not been revealed but are thought likely to be about £5m.

PM faces fresh turmoil over Europe

By George Parker
at Westminster

Mr John Major, the prime minister, was warned yesterday that he faces renewed Tory *turmoil over Europe, if the* white paper on Britain's approach to the EU's intergovernmental conference does not demand a substantial clawback of power from Brussels.

Conservative Eurosceptic MPs warned Mr Major that they would vote against the government in a debate on the paper, due to be published *tomorrow, if it did not measure* up to their demands.

Mr Christopher Gill, MP for Ludlow, said: "For a long time now, it has been thought that I, and others, would be satisfied with rhetoric. We are past that stage now. We want to see the beef."

Speaking on BBC Television's *On the Record* programme, Mr Gill and his Eurosceptic colleague, Mr Bill Cash, warned that the government could not count on their sup*port when MPs debate the* paper next week.

A Tory rebellion is likely, since hardline MPs are unlikely to be satisfied with a paper which is expected to propose only a modest diminishing of the EU's power. The paper will attempt to strike a balanced position, setting out the benefits derived from *Britain's membership of the* EU and calling for an expansion of the union to the east.

Eurosceptics will approve of the commitment to defend Britain's veto and control EU spending, but will be disappointed that the paper will suggest only minor reforms to the powers of the European Court, and no repatriation of power from Brussels.

Mr Cash, MP for Stafford, said: "It is absolutely essential that there are reductions of *competence – in other words* a reduction of the degree of European government.

"It is not enough just to throw a few titbits. It won't work because it would be a failure of political will and a failure of political leadership."

Mr John Townend, chairman of the rightwing 92 Group, said the government could not *count on his support. "My first* responsibility is to Britain and the nation state," he said.

Mr Major is preparing to appease the party's sceptical wing by offering a referendum before Britain's entry into a *single currency*, but in doing so he will have to overcome opposition from Mr Kenneth Clarke, the chancellor.

A referendum pledge would also spike the guns of the businessman Sir James Goldsmith, who plans to field Referendum party candidates at the next election. Tory Eurosceptics will have an early chance to express their views on the white paper on Wednesday in an adjournment debate secured by Mr Gill on the IGC.

● The opposition Labour party may attempt to sabotage the flotation of Railtrack by withholding details of its own *rail policy in the sale prospec*tus, it emerged yesterday.

The government hopes to publish a prospectus later this month with a view to floating Railtrack, the owner of Britain's track, signalling and stations, for around £1.5-£2bn in May.

Citibank closes in on new HQ site

By Simon London
Property Correspondent

Citibank has drawn up a shortlist of three potential sites for its new London headquarters and is expected to make a final decision this month.

The US bank is considering Canary Wharf, the big office development in Docklands; Baltic Exchange, a City development site owned by Trafalgar House; and the proposed second phase of London Bridge City, an office complex on the south side of the River Thames.

Its search has revived fierce competition for tenants between the City, the traditional home of London's financial services industry, and Canary Wharf.

Last year Barclays de Zoete Wedd, the investment banking arm of Barclays Bank chose to move to Canary Wharf.

Two continental European banks – Deutsche Morgan Grenfell and ABN Amro – have since chosen to build new offices within the Square Mile.

The Corporation of London, the City's local authority, is trying to ensure that the Baltic Exchange site can satisfy Citibank's requirement for 400,000 sq ft of space including large trading floors. Trafalgar House's existing planning consent covers only 350,000 sq ft.

The developer has been working with Corporation planning officials and English Heritage, the government agency responsible for historic buildings, on alternative plans. *Existing proposals involve* preserving the old Baltic Exchange building, which is listed but was badly damaged by an IRA bomb in 1992, within a new structure. More office space would be created if the old building was moved to a new site. There is no guarantee, however, that the US bank will choose the City.

Canary Wharf is owned by a consortium of investors including Prince al-Waleed bin Talal bin Abdulaziz of Saudi Arabia, who is also a big shareholder in Citicorp.

The bank's biggest central *London building is already* on the first phase of London Bridge City, which is owned by St Martin's Property Group, part of the Kuwaiti Investment Office.

UK NEWS DIGEST

London training weakness shown

Managers of financial services companies in the City of London are guilty of arrogance and "training phobia", and have received insufficient training, according to a survey *published today by Mori*, the polling group.

It found that about 40 per cent of City financial organisations spend 2 per cent or less of their annual turnover on training. Of the remainder, 82 per cent did not even know how much money they spent on training.

Mr George Alford, deputy chairman of Clintec, the Training and Enterprise Council (Tec) which produced the report, said "more than one in four senior managers believe external training could not teach them anything new".

Only 7 per cent thought they would benefit from training on the subject of how to manage their staff, while only 10 per cent had attended as many as three training courses in a year.

Mr Alford, who is also head of private banking with Kleinwort Benson, the investment bank, said the problem was not unique to the City. But vocational training was particularly important in service industries where there was usually less technical training, he said. *John Authers, London*

Internal battle for investment

Most English local authorities regard neighbouring regions – rather than other areas of Europe – as their principal source of competition for inward investment.

An analysis of inward investment activity among local councils by Ernst & Young shows that on average 75 per cent of investment inquiries come from other UK regions, indicating a high level of dissatisfaction with existing locations. France and Germany are regarded by local authorities as the biggest competitors elsewhere in Europe. *Michael Cassell, London*

Charities' income at record

The income of Britain's top charities rose to a record £9.96bn ($15.26bn) in the 12 months to June 1994, according to the latest available figures. The period covered precedes the launch of the National Lottery, which charities say has affected discretionary giving.

According to the 1996 Henderson Top 2000 charities guide, public grants and fees remained the largest single source of income for the sector, amounting to £2.7bn during the year, up from £2.6bn. Donations from the UK's 50 top corporate donors rose by £17.5m to £211.4m. Charitable giving by all listed companies amounted to £351m. Glaxo Wellcome was the biggest donor with £21m, while the biggest rise in community involvement came from Thorn EMI, the entertainment group, which increased donations 171 per cent to £9.5m.

The biggest falls in corporate donations came from British Gas, which cut community involvement from £2m to £1.3m and media groups News International, which dropped from £1.9m to £800,000, and Pearson, which owns the Financial Times, from £1.27m to £730,000. *Mark Suzman, London*

Football rivalry hits cereal sales

Fierce football rivalry has led to a slump in sales of Sugar Puffs in a soccer-mad city in north-east England.

Sunderland supporters boycotted the cereal after Newcastle United's manager Kevin Keegan promoted the virtue of the breakfast cereal in a TV ad, complete with the Honey Monster *character dressed in a black and white shirt*.

Stores in the red and white city reported falling sales as rumours spread that fans had banned the cereal from their homes. Quaker, the makers of Sugar Puffs, were unavailable for comment. *PA News*

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THIS WEEK

Eternal students earn wan smiles

DATELINE

Bonn:
Germany's system of government makes a solution to its protracted higher education crisis difficult, writes **Peter Norman**

Norbert Blüm, the Bonn government's feisty labour minister, first cracked the joke about Germany having the youngest pensioners and the oldest students. But for those involved in higher education, the high age of graduates and the length of time taken to obtain a first degree have long since ceased to be a laughing matter.

Germany's eternal students are just one among many symptoms of a higher education system in crisis. At first sight there is a chronic imbalance between the 1.9m people registered as university students and the 970,000 places officially available to accommodate them.

Horror stories abound of uninspiring professors lecturing to overfull halls containing 600 or more students. The percentage of students who break off courses without sitting an exam is high: 28 per cent. Higher education, which is primarily the responsibility of the *länder*, or federal states, is under growing financial pressure as state governments struggle to control their budget deficits.

There is broad agreement on the part of the Bonn government, the *länder*, the universities and businessmen on what is wrong with higher education. But this does not yield easy solutions.

A special difficulty caused by data protection laws is that few education statistics are more recent than 1992. Those for that year show that the average German student had studied for nearly seven years and sat his final examination at the age of 28.33 years.

A stroll round a university town such as Bonn suggests that little has changed since 1992. At present, 10,000 of Bonn university's 36,000 students have been registered for at least 12 semesters – six years.

There are extenuating circumstances to explain the ripe old age of German undergraduates. Conscription raises the age of university entry for some. The university rectors' conference (the university lobby group) estimates that nearly 40 per cent of students now enter university after completing vocational training, against only a quarter in the late 1970s. And the final examination is in most cases of a fairly high standard: the federal education ministry reckons that the German diploma is of a master's standard rather than equivalent to the batchelor's degree in UK universities.

But the education ministry in Bonn says that four years should be enough to get a diploma in most disciplines, with five years for some sciences. The 1992 figures, showing that the average length of study had risen by more than a year since the 1970s, suggest that other things are going wrong.

Many of the problems are in the universities themselves. There is often a mismatch between what is taught at school and the university course. That makes chopping and changing courses in the early stage of a university career quite normal.

Lack of organisation in universities makes the life of new arrivals especially fraught. For many freshers, the first semester at a German university is spent learning how the place works – usually by trial and error.

The attitude of professors and other teaching staff does not help. Research carries much more kudos than lecturing. There has also been a sharp increase in the university student population, with an estimated 35 per cent of school leavers ending up at university against 22 per cent in 1982.

That means over-crowding, although it is probably not as bad as suggested by official figures. The 970,000 places said to be available is a notional figure devised in the 1970s. In addition, a substantial if unknown number of registered students do not study at all. Their incentive to free-load is considerable: fees for courses are low – about DM80 (£35.20) a semester – while the financial benefits accruing through cheap fares, concerts and health insurance total an estimated DM1,200 a year.

But for genuine students, financing study is difficult. Some 26 per cent of them make use of government loans for at least part of their needs. A recent survey suggested that 45 per cent rely mainly on parental support. But a good 30 per cent are working their way through university. Such "jobbing" can prolong their studies. It also contributes to a high level of late drop-outs. Heidelberg university recently found that about 20 per cent of science students broke off their studies after eight semesters.

Yet many of these will have found permanent jobs. There is no stigma attached to joining a company without a diploma. Some employers *prefer* to hire pre-graduates because they regard university courses as too theoretical.

Eternal students need not be a permanent feature of the German university scene. The Netherlands had a similar problem and has largely solved it by introducing financial incentives for universities to complete courses quickly.

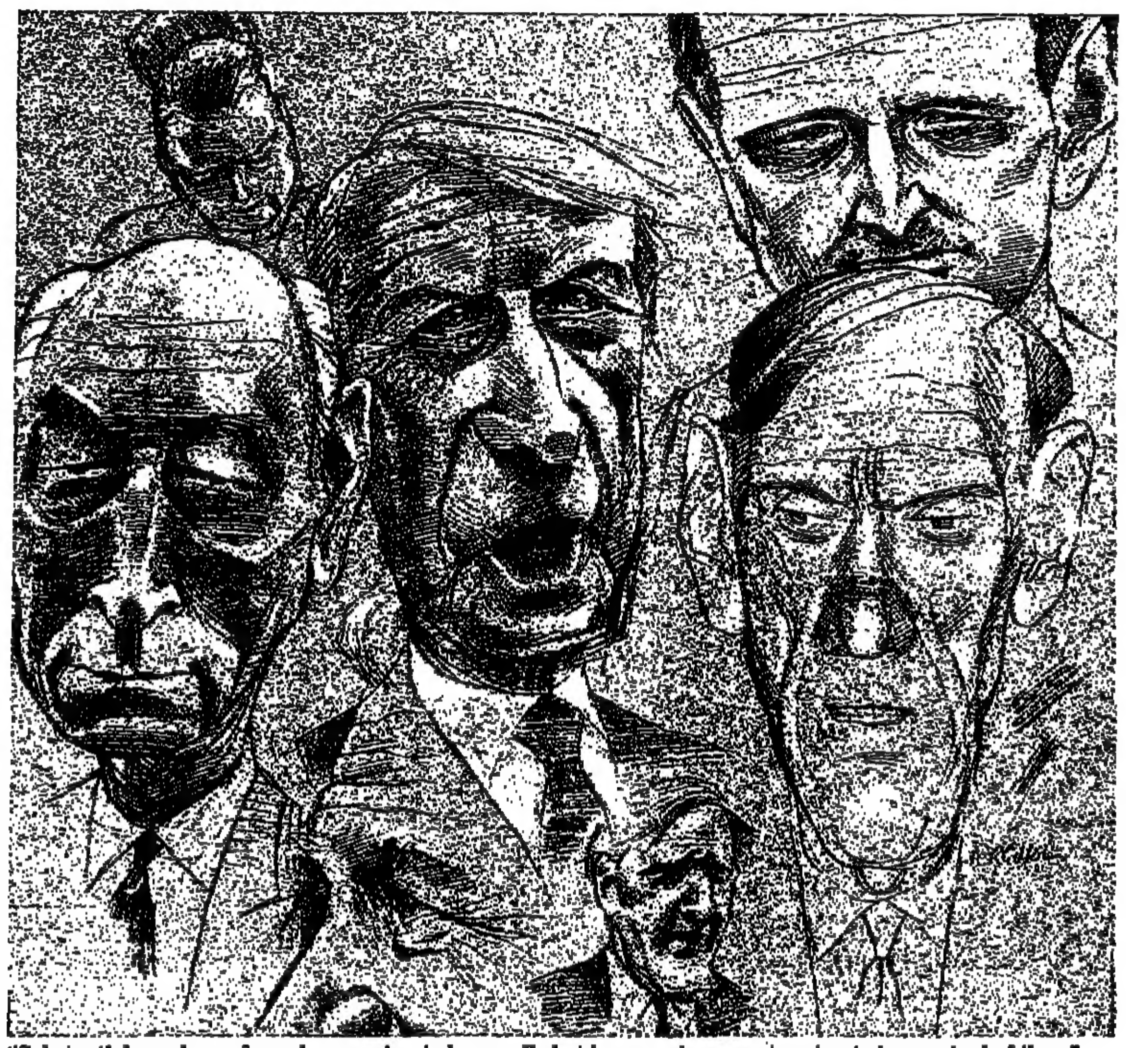
But Germany is a federal country and its system of government is a chief reason why the problems of higher education are so intractable. The 16 *länder* are mainly responsible for the universities, and traditionally move in consensus with the federal government.

The *länder* and Bonn reached agreement in 1993 on what needed to be done but failed to settle the question of how to finance the reforms. That failure means there is still no clear programme for solving Germany's higher education crisis.

PEOPLE

Lloyd's at a crossroads

Ralph Atkins on a farewell to limbo



"Substantial numbers of people are going to be appalled at how much money is going to be required of them"

For Disgusted of Detroit, Wealthy of Woking and Broke of Berkshire, the phone-lines are open.

At 8am today, 30 Lloyd's of London staff will start taking calls from investors – or Names – on statements which were dispatched last Friday and, for the first time, tell all 34,000 of them what Lloyd's complex recovery plans means to them.

Hazel Callaghan, in charge of setting up the free helplines, expects many to be positive – but is trained for the worst. "Some Names will just ring up to sound off," she says. "We have vast amounts of experience with Names who have been abusive or upset. Their reactions vary."

The response she receives – once the four-page "indicative finality statements" and 47-page accompanying guide have been digested – will be important. If Lloyd's is to survive in anything like its current form, the 300-year-old insurance market must win support from a significant majority of Names.

If the deal is confusing, however, the mindset of the Lloyd's community is still more perplexing.

In one camp, much huffing and puffing – and angry phone calls – are expected. Christopher Stockwell, chairman of the Lloyd's Names' Associations' working party, representing militant lossmaking Names, says: "Substantial numbers of people are going to be appalled at how much money is going to be required of them. There are a lot of people, who were not rich . . . who went in on the back of bank guarantees, and they are going to be ruined."

Other Names are simply fed up. "It really is going to be a relief to get the numbers," says one London Name. "You can go to the bank and say: 'This is really the last lot'."

In another camp are enthusiastic supporters. Harry Teasley, soft drinks company executive and Florida Name, insists: "You need to deal with the history, get the organisation out of the litigation and all that, and go forth and do business."

If the recovery package succeeds, not only would thousands of Names be free to resign from Lloyd's but a new insurance market would emerge from the ashes, unencumbered by problems of the past. As Teasley says: "You just can't let Lloyd's stay in this limbo land."

Others are not going to let Names who have stopped underwriting – including the big lossmakers – grab all the headlines. Nigel Hanbury, a director of Falcon members' agency, which handles Names' affairs, says: "The sleeping giant of the on-going Name is going to wake up on Monday and scream and demand to be attended to."

If obviously wealthy Names, who have deliberately walked away from meeting losses, are being subsidised, says Hanbury, he would like to see their names in print. "I know it sounds vindictive, but it would produce a lot of money."

The difficulty is in distinguishing posturing from genuine grievance. The process is still at the negotiation stage. Last Friday's statements were merely indicative; final numbers will not be agreed until May.

The plan's complexity does not help. Lloyd's is bringing together outstanding liabilities on old policies – including massive US pollution and asbestos-related claims – and requiring Names to pay to have them transfered into a new insurance company, Equitas.

To soften Equitas bills and end litigation being pursued by lossmaking Names for damages, there is a £2.8bn settlement fund, split according to Names' individual circumstances.

Few will receive cheques, but Lloyd's says nobody should have to pay more than £100,000 once funds deposited at the insurance market are exhausted.

Nevertheless, after five years of horrendous losses totalling more than £8bn, and with more unreported amounts still to feed through, a statement stating precisely how much a Name has lost in total "could knock a lot of people", according to Robert Miller, of the Association of Lloyd's Members.

"Names will distrust the statements because they don't understand them," says a lawyer. "Some figures will be wrong. I don't really blame Lloyd's, because this is just so mind-boggingly complex. Perhaps you just have to go through this process to harden people."

It all amounts, says Damon de Laszlo, chairman of the Feltrim Names' Association, to high-stakes "brinkmanship" by those at Lloyd's who could increase the £2.8bn settlement pot – including the managing agents which run syndicates.

"It would be mad if the plan failed. If it did, it would be because Lloyd's has not got it's act together," de Laszlo says.

Lossmaking Names are not going to roll over. In the US, militant Names have launched a legal campaign alleging Lloyd's breached securities laws by selling investment in the market. Cases are pending in California, Missouri, Colorado and elsewhere.

Richard Rosenblatt, of the American Names' Association in California, says: "There are so many venues – state courts, federal courts, bankruptcy courts, probate courts – that [US Names] don't feel anyone is breathing down their neck."

Such battles and brinkmanship will be played out at Lloyd's, in courts and in newspapers, until voting takes place in July. "We're all playing a game of chicken," says one council member.

Final decisions by individual Names will not be taken lightly. Robert Saunders, head of insurance at Smith & Williamson, the accountancy and banking firm which advises Names, reckons he may need a bed-roll in the office this week. "This is the most important point in the market's history. This is the crossroads of destiny."

N NAMES IN THE NEWS

Harf bounces back to acquire Rimmel-Chicogo

Peter Harf does not often stumble, so when he did recently there was plenty of speculation about what might be in store for the boss of Benckiser, the acquisitive German consumer products group, *writes Michael Lindemann in Bonn.*

His tussle last January for control of Maybelline, the second biggest US cosmetics company, saw him pipped at the post by L'Oréal, the French company.

Admittedly, L'Oréal is the world's largest cosmetics group, with far greater resources than the family-owned Benckiser. Even so, Harf has never lost out since starting his buying spree in the late 1980s and turning Benckiser into a company with sales of DM4.8bn (£2.1bn).

Harf, 49, bounced back last week to buy Rimmel-Chicogo, Unilever's mass market cosmetics business, for about $130m. And, he insists, the Rimmel-Chicogo deal was not "some act of spite" following the Maybelline setback.

"The game is far from being over," said Harf in a telephone interview from his New York office, where he spends about half his time. "We have a very robust long-term strategy which concentrates on mass cosmetics. We already make plenty of money in that business, and we will continue to grow aggressively."

What observers are asking themselves is how aggressively Harf, who used to be a consultant at Boston Consulting Group, can keep growing, especially since several of his top managers have recently left.

Even though the company reported improved net profits of about DM100m last week, its return on sales does not look promising, especially compared with larger rivals like Procter & Gamble. On top of that, Benckiser is still lugging debts of DM1.5bn, reduced but still high in terms of sales.

The family, it seems, is hoping that Harf will temper his acquisitiveness and consolidate existing businesses. That, however, is something that *Wirtschaftswoche*, the German business weekly, advised him to do in 1991. There is no sign that Harf even listened.

Heads swivel to see James Packer

If there is one thing that can be expected from Australia's Packer family, owner of some of the country's biggest media assets, it is reluctance to talk to the media, *writes Nikki Tait in Sydney.* So when Kerry Packer, the 58-year-old businessman often thought of as Australia's richest man, said he was stepping down as chairman of Publishing and Broadcasting, the family's main listed company, and promoting his 28-year-old son to managing director, he did so via a brief paragraph in PBL's formal earnings release.

Yet James Packer, 28, has been groomed for the role all his working life. After school – at Sydney's Cranbrook – he served a year as a jackeroo on one of the Packers' cattle stations. Then he had a decade's training within the family's businesses, moving from magazines sales rep to a director on the PBL board.

PBL's new managing director has not been invisible, at least to Sydneysiders. Some glamorous girlfriends – including Jennifer Flavin, a US model, and Deni Hines, a rock singer – have ensured plenty of pics in society columns.

James's property market dealings have also caught the eye. He shrewdly turned several dilapidated inner-city warehouses into fashionable Manhattan-style apartments in the early 1990s, and is seeking to redevelop a site on the famed beachfront at Bondi, where he lives. The local council is not enthused, but this may not deter James. Controversy and the Packers go hand in hand.

Robert Chote · Economics Notebook

The woe of state and marriage

Labour modernisers have revived a disquieting debate. But it is one thing to preach marriage as a fine institution, another to propose using taxpayers' money to bribe people into it

The idea that the state should offer grants or loans to encourage marriage has a long but somewhat disquieting history, having been espoused during this century by characters as diverse as Beveridge, Hitler and Marshall Petain. It is one thing to preach that marriage is a fine institution; it is quite another to propose using taxpayers' money to bribe people into it.

This debate was revived last month by *The Blair Revolution*, a book by two influential "modernisers" in Britain's opposition Labour party. The authors, Peter Mandelson and Roger Liddle, suggested that newlyweds should receive a means-tested loan of up to £5,000 paid for by increasing inheritance tax for the wealthy.

Marriage has been in steady decline since the late 1960s in Britain, a trend mirrored in the US and elsewhere in Europe. During that time the left has been reluctant to identify this as a problem, for fear of being thought socially conservative and behind the times. But as successive electoral defeats have dragged Labour rightwards, its leaders have been happier to embrace the dubious rhetoric of "family values".

Mandelson and Liddle are unapologetic. They argue that marriage is important both as a social institution in which to bring up children and as an economic institution which should share the costs of caring for young and old, a task the left previously saw as the province of the welfare state.

"Committed relationships and marriage itself can and should be strengthened directly by public policy," Mandelson and Liddle conclude. They even argue that it is reasonable to subsidise married people at the expense of singles.

Many advocates of policies to promote marriage would argue their case from a purely moral standpoint. But taxes and subsidies have economic costs, so does marriage bring with it any economic benefits that might compensate?

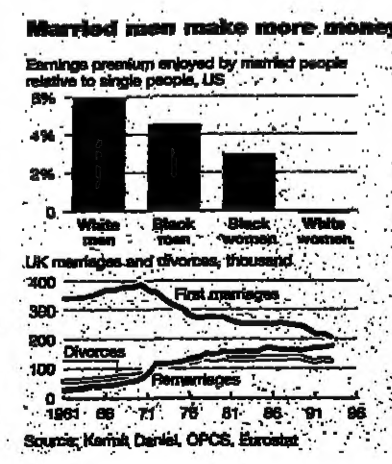
Professor Kermit Daniel, of the University of Pennsylvania, argues that it does. He believes that marriage raises productivity by allowing specialisation of labour within the family. Where couples are concerned, he maintains, the whole is greater than the sum of the parts.

He argues that productivity might rise because one partner assists the other's work directly, acts as a "sounding board", organises activities or performs housework or chores that increase the other's effectiveness at work. One partner may also take more of the burden of childcare, helping the other to perform better at work.

If marriage increases productivity, the labour market should reward it with higher wages. Prof Daniel investigated this by looking at the histories of a sample of US men and women aged 14 to 21 in 1979. He eliminated the effects of age, education, employment history, health and job attributes to isolate a "marriage premium".

Depending on their race and gender, Prof Daniel found that married people earned on average up to 6 per cent more than their single counterparts. For those who divorced, this premium shrank gradually as the date of dissolution drew closer – presumably because the efficient division of labour was progressively breaking down.

Married men make more money



Marriage rates: EU comparison
Rates per 1,000 population

	1981	1993
UK	7.1	5.9
Denmark	5.0	6.1
Finland	6.3	4.9
Sweden	4.5	3.9
Belgium	6.5	5.4
Austria	6.3	5.6
Netherlands	6.0	5.4
France	5.8	4.4
Germany	6.2	5.5
Luxembourg	5.5	6.0
Portugal	7.8	6.9
Greece	6.9	6.0
Spain	5.4	5.0
Italy	5.6	5.1
Irish Republic	6.0	4.4
EU average	6.1	5.3

Source: Kermit Daniel, OPCS, Eurostat

Needless to say, the precise figures calculated for the marriage premium should be taken with a pinch of salt. The premium might be underestimated, for example, if the stability of people's employment history is determined in part by their marital status. On the other hand, the premium might be overstated if it is explained in part by intangible factors that make someone both a good worker and a good spouse. These might include loyalty, dependability, diligence and physical attractiveness.

Let us assume these factors offset each other and that there *is* a marriage premium of about 6 per cent. Just because marriage increases productivity, that does not provide grounds for the state to subsidise it. That would only be the case if the marriage premium was too small to reflect fully the increase in productivity. But direct studies of what determines productivity suggest married men are 5 to 10 per cent more productive than single men. This implies that the labour market is already efficient in the way it rewards people for getting married.

So marriage subsidies would generate few spillover benefits for the economy. They would also have the undesirable effect of reinforcing traditional gender roles within marriage, because the premium is larger for men than women.

Discrimination means that men earn more than women in similar jobs. So if a married couple are trying to maximise their joint income, it is rational for the husband to concentrate more on paid than unpaid work, relative to his wife. The expectation that this will be the case also encourages women to build up what Prof Daniel calls "augmentation capital" before marriage, preparing for a life of non-paid work at home.

But another argument for subsidy is that society benefits from having children brought up by married parents. As Patricia Morgan has argued: "Children of non-traditional families have higher rates of mortality and morbidity, are more at risk of abuse, more likely to become delinquent and go into care, and more likely to become involved in crime".

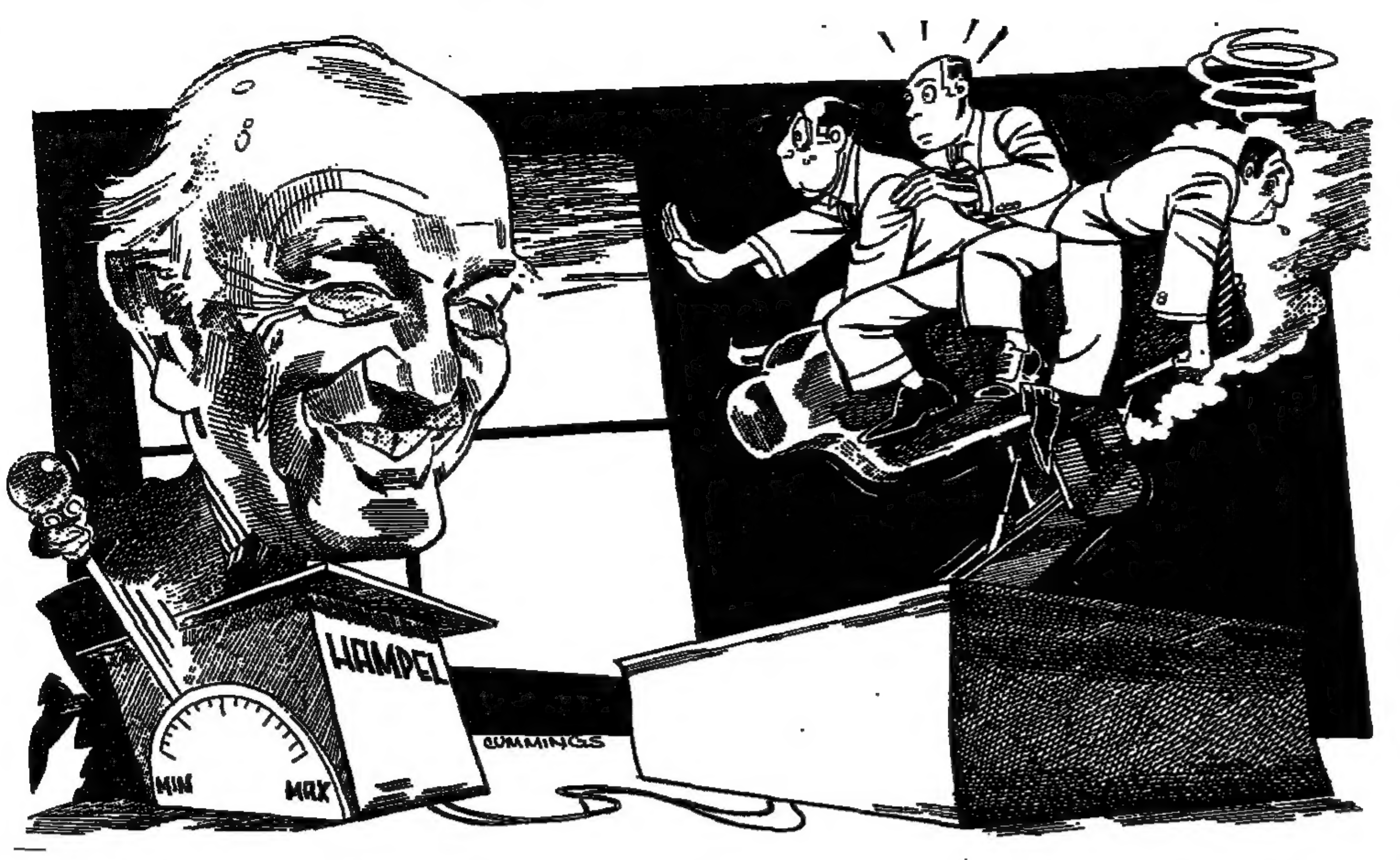
However, as so often in economics, it is important to distinguish the average from the marginal. Children of married parents may on average do "better" in some sense that those of single parents (although cause and effect are ambiguous). But that will not necessarily be true of children whose parents have only married to qualify for an artifical financial incentive.

To prevent fleeting marriages of convenience, subsidy schemes would also have to contain some incentive to keep couples together. They would further stigmatise single parenthood and, at worst, could place more pressure on women to remain in abusive relationships. More generally, it is surely better for children to have amicably separated parents than to be brought up in a nuclear family where the adults are at each other's throats.

Mandelson and Liddle's proposal has been greeted with considerable scepticism, but New Labour's willingness to pander to populist authoritarianism suggests we may not have heard the last of it. With luck, however, the party will realise that it has better things to do with scarce resources than engage in misguided social engineering.

Sir Ronald Hampel wants wide-ranging talks on the issues of governance, reports **William Lewis**

Guide to the great 'untouchables'



A great debate involving British business will take place during the next two years if the hopes of Sir Ronald Hampel, chairman of the City of London's corporate governance study group, are met.

As chairman of the Hampel committee, the successor body to the Cadbury committee – which published its report on governance in December 1992 – Sir Ronald has called for a "full and frank" debate on the structure and workings of corporations in the UK and how they interact with shareholders.

Sir Ronald wants to tackle issues described by another committee member as "the great untouchables". They include the UK's unitary board structure and the responsibilities of UK shareholders.

However, after dealing with these subjects, it appears that Sir Ronald's intention is for them to be left untouched. "I need some convincing . . . that the basic system that has developed in this country of inside and outside directors can be much improved on," Sir Ronald said recently. "I have no wish to produce an earth-shattering report."

So why has Sir Ronald made his call for a wide-ranging debate? One explanation is that it provides a necessary carrot to attract the sort of high-calibre industrialists who might otherwise not have bothered to sit on his committee.

Another lies in his hope that the work will lead to a change in the public's view of British business, damaged by the long-running controversy over executive pay at privatised utilities.

Those with more radical corporate governance agendas, however, should not be put off by Sir Ronald's "minimalist" comments. While he may intend that the committee should make only limited recommendations, others in the group appear to take a different view.

"It is also possible that in the course of this great debate Sir Ronald may see the light," a member says. "Don't forget Sir Richard Greenbury set out to do nothing, and look what happened to him." (A reference to last year's tough recommendations on executive pay made by the committee chaired by the Marks and Spencer chairman.)

Hampel's findings, due to be published at the end of next year after a period of consultation, are likely to be implemented through the amendment of Stock Exchange rules or possibly through legislation.

Drawing on Sir Ronald's public comments and private conversations with other committee members, here is a guide to the Hampel committee debate:

● **Structure of the board.** Traditionally this has been the most untouchable issue of all, with the City almost unanimous in defence of the unitary board against other structures, such as two-tier boards.

However, Sir Ronald wants the pros and cons of the UK's system, under which there is one group of directors, to be discussed and compared with other options, such as the German supervisory board, where directors are appointed to oversee senior executives' work.

For change: Academics such as John Parkinson of Bristol University, who says: "There is a great deal to be said for a supervisory board." Other supporters include the Labour party, trade unions and executives at a few public companies, who privately express backing.

Against change: Most large public companies as well as business group leaders. Tim Melville-Ross, director-general of the Institute of Directors, rules out change. "The German system is not necessarily all it is cracked up to be," he says. "UK companies effectively have a two-tier board structure anyway."

● **The role of non-executive directors.** Following Cadbury and Greenbury, non-executive directors now have much greater responsibility. As well as advising on company strategy, they are expected to act as company policemen, examining the activities of executive directors across a range of areas.

Some suggest that these two roles are no longer compatible and a third type of director should be created, perhaps appointed by large institutional shareholders to encourage companies to think longer term. Others argue that to avoid so-called "management capture" of non-executive directors, their interests should be brought more into line with executive directors by paying them in shares.

For change: Barbara Thomas, a former commissioner of the Securities and Exchange Commission in the US, who sits as a non-executive director in the UK and US. She backs payment of non-executives in shares, as well as the creation of a new class of non-executive director to play a "quasi-regulatory" or policing role at public companies.

This third class of director should be paid a flat fee, she argued at a recent IoD conference. Melville-Ross is keen on share payment, too.

Against change: The majority of companies and executive directors. Institutional shareholders also want to avoid extra responsibilities.

● **The role of institutional shareholders.** This may be one of the liveliest areas of debate. A number of high-profile company meetings, such as last year's British Gas annual meeting at which moves to scrap large pay increases for directors were defeated by institutional shareholders, have led to calls for fund managers to be more accountable for how they vote.

Pension scheme trustees complain that fund managers fail to consult about how to vote at company meetings and often do not bother voting. There have been calls for them to be forced to vote and disclose their decision. The role of company meetings is also to be discussed, with most businesses sceptical about their benefits for the majority of shareholders.

Another proposal is for shareholders to receive tax incentives to encourage them to hold shares for longer periods. The favourable treatment institutional shareholders receive compared with individuals may also be on the agenda.

For change: Corporate governance activists, such as the UK Shareholder Association, want it made easier for small shareholders to put forward proposals at company meetings.

The Labour party, which could be in government before the committee's two-year brief comes to an end, wants to make it the duty of institutional shareholders to vote at company meetings, a reform that would affect pension funds which have a patchy voting record.

Against change: Fund managers do not want legislation on voting. Most companies will be reluctant for shareholders to get involved in the running of their businesses.

● **Review of Cadbury committee.** Sir Ronald argues there is a strong case for allowing smaller public companies not to comply with certain Cadbury rules, an argument supported by Sir Adrian Cadbury, the Cadbury committee chairman.

Sir Ronald is also keen to reinforce the case for broad, Cadbury-type principles, rather than specific regulations. At the very least, he wants the committee's report to point out that many Cadbury rules are voluntary, thereby reducing the pressure on companies to comply.

Another question is whether governance structures should apply to companies in different sectors.

For change: Industrialists such as Sir Ronald and Sir Stanley Kalms, chairman of Dixons, would welcome reduced levels of compliance. Sir Stanley lobbied to halt the Hampel committee. "There are too many rules already," he said.

Against change: Institutional shareholders and corporate governance activists oppose weakening the Cadbury rules. Fund managers say they have helped them put difficult questions to managers and get things changed.

● **Greenbury report.** The Hampel committee is to look at the effects of the new Stock Exchange rules governing executive pay introduced after Greenbury.

Sir Ronald argues that the rules mean companies have to reveal too much and that there is a strong argument for reducing disclosure. Hampel may also be called on to adjudicate in a row over the method companies use when disclosing directors' pension entitlements.

For change: With the first set of Greenbury-inspired annual reports due for publication shortly, the Hampel committee will be able to judge the success of increased disclosure rules on the basis of two years' accounts.

Directors of public companies, including those sitting on the Hampel committee, are likely to push for a reduction in the extensive Greenbury disclosure requirements. Some have cited personal security as a strong reason for curtailing what they now tell shareholders about their pay.

Against change: Shareholders are likely to welcome the improved disclosure and voting rights and will resist weakening of Greenbury.

● **The role of auditors.** Few committee members are sure what discussions will focus on. One possible issue is whether accountancy firms should act as auditors and consultants to the same company or whether such cross-overs limit auditors' independence.

Should auditors also be responsible for stating the degree to which companies comply with Cadbury and Greenbury or leave that to directors? Should executive directors appoint auditors or leave it to non-executive directors sitting on main board audit committees?

For change: In January, the Auditing Practices Board, the audit profession's regulator, made one of the first submissions to the Hampel committee. It said that consultation had revealed "strong reservations" about the Cadbury code's recommendation that directors should judge the effectiveness of a company's internal financial controls.

Cadbury recommended that directors should report on the effectiveness of controls and auditors should report on their assurances. Current guidance stops short of insisting that directors give such an assurance – although it does invite them to give an opinion if they want to. Most auditors advise directors not to, saying it is too dangerous.

Against change: Auditors earn large fees from spin-off consultancy work and will resist anything that recommends they should confine their activities for clients to one type of work. They will also want to avoid any changes to the way they are appointed and reappointed as companies' auditors. Some shareholders have suggested that businesses should be forced to change their auditors every five years.

THE CADBURY CODE

- Clear division of responsibilities at the head of a company
- Sufficient number of independent non-executives
- Terms of executive contracts no more than three years
- Audit committee with at least three non-executives
- Compliance with code to be stated in annual reports

THE GREENBURY RECIPE

- Full disclosure of directors' pay packages, including pensions
- Shareholder approval for any long-term bonus schemes
- Compliance with code to be stated in annual reports
- Privatised utilities to review directors' pay packages
- Government reform of taxation of share options
- Avoid contracts longer than two years
- Non-executives only on remuneration committees

Falling into the credibility gap

Lucy Kellaway

Company chairmen could learn a trick from Sir Richard Greenbury. Not about how to sell underwear or sandwiches, nor about how much to pay top people. But about how to talk. Last week he was quoted as saying: "It would have been difficult to get it more wrong".

That was an exemplary comment from someone in his position. First, most of the words contained no more than one syllable. Second, there was no jargon. Third, the meaning was quite clear. Fourth, and most remarkable, the statement was an admission of blame. Admittedly, Sir Richard was referring to Marks and Spencer's unhappy Canadian chain, which was finally sold last week. But still it was an admission. Far from making him look culpable, the statement makes him look credible. Shareholders are not stupid: companies that occasionally accept blame are more likely to be believed when they start claiming the credit.

Contrast his remark with the obscure nonsense talked by company chairmen last week as they announced their 1995 profits. All week we have heard about how they are "growing the business" and achieving "organic" growth, as if it were gardens rather than commerce that was under discussion.

Moreover, not one of the companies reporting was prepared to admit to having put a foot wrong last year. Those announcing lower profits relied on tired old clichés to explain their performance: "It was a year of consolidation . . . it is very difficult to create any competitive advantage in this market . . . conditions remained difficult . . . it was a difficult year . . . market conditions were sharply adverse". Nowhere in this is the slightest hint that there could be a link between profits and management endeavour.

There is no less waffle and humbug when the time comes to assure shareholders that the future is bright. "We are well placed to take advantage of an upturn" was the most commonly used phrase. IBM talked of "accelerated opportunities for growth" (whatever that means), while ADT said: "We are committed to expanding . . . through a balanced programme of internal growth, dealer programme development and growth by acquisition", which presumably means we will try to do better any way we can.

Executives have become so used to talking in this strange coded language which no one takes at face value that they are at a loss when they wish to convey a message. When Lotus was asked to confirm a rumour last week, its finance director said it was "completely 100 per cent incorrect". How does that compare with saying just "incorrect"? Sounds less categoric to me.

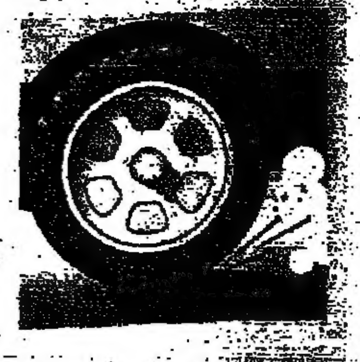
Delia Smith's *Winter Collection* and *Murder One* aside, television is not my favourite medium. Thus I have been congratulating myself recently on the fact that I do not work for the world's favourite airline. From next month British Airways employees will be subjected to a daily 15-minute news bulletin that will enable all 53,000 of them to feel like one great big happy family.

BA is not the first company to decide that TV is the ideal way of reaching a large and far-flung workforce. But what is odd about the British Airways' plan is that the company is pretending that its TV will be objective: during strikes shop stewards will be interviewed in what the company says will be an impartial fashion. Even more implausible is the idea that corporate TV could be hard hitting. "It will expose those managers who are not performing," said BA's chief executive last week. How? Does BA plan to shop itself, do its own version of *The House* – the BBC's documentary series about the Royal Opera House? Now that would make good viewing. Whether it would make good corporate practice is another matter.

One of the most suspect recent imports from the US is the customer careline: the phone number on your groceries that you can ring if you are less than delighted with the product. You can complain about your gravy granule, your shampoo and even your light bulb.

What is it all about? Most of these goods are commodities; there is no question of liking or not liking a light bulb. In these days of get-it-right-first-time, products are supposed to be perfect, so there should be nothing to complain about.

I assume that the point of these carelines is to make you feel warmly towards the product, but for my money they leave me stone cold. They would leave me colder still if I had been involved in a survey conducted by AIM consultancy which rang all the numbers and rated them according to service. Bisto Gravy got the dubious distinction of being tops when it comes to dealing with irate customers, whereas the telephone operators on the soft cheese careline were found to be barely civil. The most useful finding from this bizarre survey is that if you phone Lurpak to complain about a pat of butter you may get a £20 postal order in return.



FAST TRACK

Infonie

Its directors call it the first example of the "third generation" of the Internet. From the end of last year, the French have been able to subscribe to their own home-grown multimedia online service.

Hooked up by modem and telephone, they can use their PC to play games, study history or consult the stock market, all with the help of high-resolution images and sounds.

Michel Perrin, deputy general manager of Infonie, argues that the Internet is traditionally a text-based system, largely aimed at professionals.

Second-generation services placed the emphasis on communication. He says his service is designed to go further, offering the general public a more visual, interactive format with a focus on content of quality, combining the best of the "web", interactive television and the country's Minitel phone-based information system.

After carrying out market research, the company discovered that potential customers were frustrated with the Minitel system, which charges rates based on the amount of time spent "on-line". So it opted instead for a flat monthly fee, plus local telephone charges.

For FFr149 (£19.12) a month, subscribers can receive some 120 services, from home shopping to news and information, as well as access to the Internet's e-mail service. For a further FFr50, they can tap into the rest of the Internet.

Perrin says users will be able to inspect pictures of bouquets of flowers before ordering them by credit card, or listen to specific compact discs before deciding whether to buy them.

He believes that while many people initially flirt with the Internet, most will be satisfied with the basic Infonie services and its e-mail function, and will drop their request for the separate full web connection after a few months – particularly as the number of facilities on offer grows.

One of the problems is that few people in France have modems with the sufficiently high speed of 28,800 bits/s to connect their computers into the service. So Infonie also offers the equipment free of charge, against a deposit.

Despite the claims and counter-claims, and the intensely competitive world of computer information, Infonie has achieved some important backing, including investments from Paribas and Banexi.

Last month, it became the first company to be quoted on France's Nouveau Marché, the stock market for new, fast-growing businesses. It plans to use the money to improve services and to expand abroad.

So far, the take-up has been modest. There are currently 2,500 subscribers. Yet Perrin says the launch was muted by the effect of the strikes in France at the end of last year. An ambitious new advertising campaign kicks off next month.

The company is aiming for 65,000 subscribers by the end of this year, and 534,000 by 2000. It says it can achieve break-even with 260,000 subscribers, but in its listing prospectus estimates it could be generating a small profit by the end of 1997.

Over the next few months it is planning to offer its network in other countries, including French-speaking Canada, Switzerland and Belgium.

Andrew Jack

هكذا من الأحول

The Open University is drawing in a different order of business student, says **Della Bradshaw**

When more can mean better

In 1995 a dozen Ethiopian students graduated with a master of business administration degree from the Open University in Milton Keynes, in the UK. Not surprising, you might think.

But these were no ordinary MBA students.

One was the president of Ethiopia, another was the prime minister and the rest were assorted heads of government departments and the Ethiopian military. All had started on the MBA course three years earlier as a result of a request from the Ethiopian government to Britain's Foreign and Commonwealth Office for management training as an intrinsic part of foreign aid.

The course for the Ethiopian students was as taxing as that for any other student on the course, says Tony Stapleton, director of external affairs. Between running a fledgling economy against a background of tribal conflict they had to learn the basics of accounting, strategic management and performance evaluation.

The Ethiopian project is just one of many surprising facts about the Open University Business School. One quarter of all MBA students in the UK – 1,200 in this academic year – study with the Open University. By comparison, Insead, one of the leading European business schools, based just outside Paris, has fewer than 450 MBA students.

The revenues of the OUBS are as high as that of IMD in Lausanne, in Switzerland, but the OUBS has 20,000 students, compared with IMD's 2,000.

The OUBS was one of just a handful of business schools to be awarded an "excellent" rating by the Higher Education Funding Council for its teaching. And the school is accredited by the Association of MBAs (Amba), the UK accreditation body.

But perhaps the most surprising fact is that 84 per cent of the MBA students who begin the course also complete it – the norm for distance learning courses is often less than half.

"One of the problems is that if the individual isn't motivated the box will just sit there on the shelf," says David Asch, dean and director of studies. He believes the success of the OUBS lies in the fact that the the course and the delivery mechanisms, including video and computer messaging, have been carefully thought through. And that the modular course structure gives students the flexibility to take a break if, for example, they change jobs.

While other schools offer distance learning courses as an adjunct to full- and part-time courses, for the OUBS distance learning is the only method of teaching for both the MBA and the shorter diploma and certificate courses. "For us it's the only thing we do; we have to get it right."

Students on the Open University MBA course commit an average of 10 to 15 hours a week to the course – tutorials, residential courses and home study. They are usually in their mid 30s, unusually old for MBA students. "What we did – unknowingly I have to say – was a very Open University thing," says Asch. "We opened up MBAs to people in the UK who had no access to them.

"The second thing we did, which wasn't really planned either, was to change the nature of MBAs. Now it's not just a qualification for young whizz kids at Oxford."

Those accepted on the MBA course have an honours degree and at least five years' management experience but they do not need to take the American Graduate Management Admissions Test.

But Asch is adamant that by popularising the MBA qualification he has not devalued it. "I'll put our MBAs up against any other school," says Asch defiantly.

"My starting point is that British managers are not so well trained as their European counterparts. If nationally we are to compete effectively then we need a better trained managerial workforce. The question then is how do you get it? You don't get it by messing about with 1,000 MBAs a year."

The OUBS has not just opened up business study to managers in the UK. Twenty per cent of students study outside Britain. Initially they were expatriate students in Brussels, but these days there are students throughout Europe, including six centres in eastern Europe, where courses began in 1990.

"What our tutors have achieved there is magnificent because the structure doesn't work," explains Stapleton. "We're very happy with the academic results."

In the eastern European countries the OUBS works with selected partner organisations such as universities. In Hong Kong, on the other hand, the OUBS has opted to license its course to an open learning organisation. Although there are 45 MBA providers in Hong Kong, the Open University course, launched just last autumn, already boasts 30 per cent of the market.

Back in Ethiopia a further 100 people are now studying for an OUBS MBA and the fame of the course has spread to such an extent that last month a further 100 students began the MBA course in Ethiopia's neighbour, the independent state of Eritrea.

NEWS FROM CAMPUS

Courses consider company clients

Companies wanting to serve their customers better are the target group for a week-long executive course developed jointly by Harvard Business School and Iese, the International Graduate School of Management, in Barcelona.

The course, to be held in Switzerland in May, is part of the "Achieving Breakthrough" series which is taught jointly by the two institutions. Entitled "Turning customer service into corporate success", it intends to deliver greater employee and customer loyalty and faster growth.
Harvard: US, 617 495 6226; Iese: Spain, 3 204 4000.

Japanese accounting under the microscope

Two conferences which examine the differences between management accounting practices in Japan and the west are to be held in March and April at the Cranfield University School of Management in Bedfordshire.

The conferences will examine the widely held beliefs that short-termist management accounting in the west inhibits the ability of companies to be global competitors and that accounting methods in Japan encourage innovation.
Cranfield: UK, (0)1234 751122.

Rotterdam students get career planning

The Erasmus School of Business at the Rotterdam School of Management has appointed a new associate director of career planning. He is Tony Somers, a former language trainer, who has joined the school from his own consultancy business.
RSM Erasmus: Netherlands, 10 452 9509.

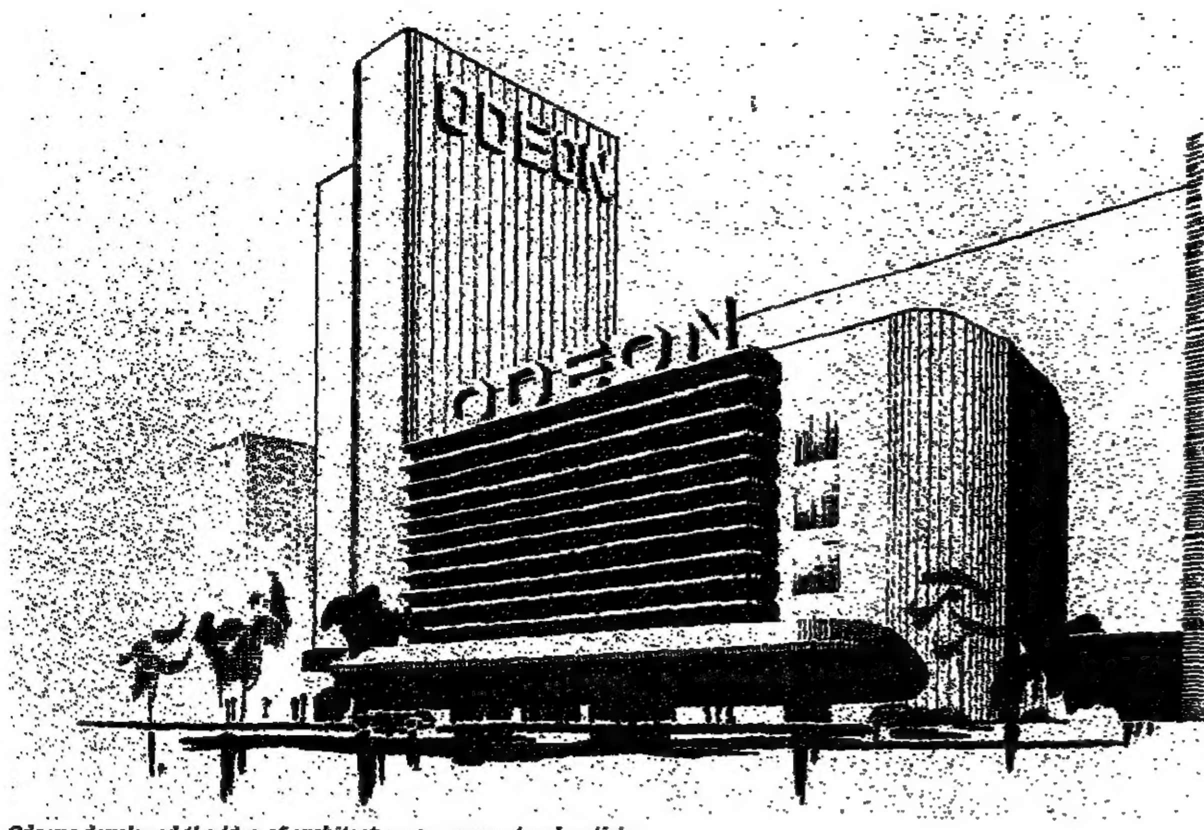
How to improve your sporting chances

If you think your management skills could benefit from a study of how sports people reach the top, the video package "Coaching to Improve Performance" could help. The package, from Performance Consultants, is now available in Spanish, Portuguese, German, French, Italian and English.
Performance Consultants: UK, (0)1494 670505.

SPORT / ARCHITECTURE

Silver age palaces of pleasure

There is more to a cinema than a screen and popcorn, writes **Colin Amery**



Odeons developed the idea of architecture as corporate advertising

One hundred years ago this year, the first cinema opened in London. Last year, some 120m cinema tickets were sold in Britain. This surge in movie-going is, according to the film industry, due to the popularity of the latest multiplex cinemas. I suppose it is unlikely that many people go to the cinema to admire the architecture, but there is more to a cinema than screen and popcorn.

To mark the anniversary, there is an exhibition at the Royal *Institute of British* Architects (Heinz Gallery, 21 Portman Square, London W1) about the architectural history of the cinema. It is an expedition into an architectural fantasy world that seems almost as remote today as the Valley of the Kings.

What is especially fascinating is to see how architects – *most of them now forgotten* – responded with such excitement to the challenge of building a new dream world. What is sad is the scale of the destruction of these palaces of pleasure in the latter years of the century.

The advent of television interrupted the halcyon days of the movie houses and many *closed* and were demolished. Today their extraordinariness is once again *appreciated and* some 90 cinemas all over Britain have been listed.

But what was it that made the early cinemas of the 1920s and 1930s so distinctive? Although around 4,000 cinemas were established in Britain by 1920, it was not until the mid-1920s that the "super cinema" arrived, much influenced by Hollywood.

The RIBA show has the mar*vellously evocative drawings of* one of the first of these – the Regent in Brighton which opened in 1921 and was designed by Robert Atkinson. The plan was revolutionary, being the first fan-shaped auditorium seating some 2,300 people. The Regent was more than a cinema. It had two restaurants, a tea room and a dance floor on the roof. In its way it captured the romantic world of *Rudolf Valentino – one where* romance came before sex and *life proceeded under perma*nently blue skies.

Atkinson was a great colourist, and he commissioned leading contemporary figurative *artists to decorate the cinemas* he was designing for the Provincial Cinematograph Theatres Company. In Brighton *there* were huge Della Robbia glazed panels that enhanced the main elevation. It was not until 1974 that this cinema was completely demolished. Brighton thus lost the one cinema that made you feel you *were watching* movies in a setting as fine as the Royal Pavil*ion*.

The other brilliant example of the 1920s' "super cinema" is the Astoria in Finsbury Park, north London, designed by Edward Stone. The interior was conceived as a huge Mediterranean courtyard. The whole ensemble of pantiled rooftops and whitewashed houses was beneath a domed ceiling upon which clouds were projected, swirling about as the stars came up.

The Astoria survives, *although it has had a che*quered recent history, being transformed from a venue for rock concerts to its current use as an evangelical church.

Also surviving but now in use as a bingo hall is that great gothic cinema, the Granada in Tooting. This was designed by a stage designer, the Russian Theodore Komisarjevsky. It feels as though you are entering the great *portal* of Rheims cathedral. The auditorium is full of soaring pinnacles and niches where there were paintings of wimpled mediaeval ladies watching their first mov*ing film. In the 1920s there* were cinemas in the Chinese, Indian and Egyptian *styles*.

However, the 1930s saw the rise of an architecture that could now be described as the cinema style. In Britain this was developed by the two big chains, Odeon and Gaumont, which were anxious to establish their corporate identities. Modernism had arrived in Britain, too, and a cinema like the New Victoria *in London* is very much influenced by the *work of Mendelsohn and Poel*zig to be seen at the time in Berlin. It is now known as the Apollo Victoria.

The Odeon style was the cre*ation of the Birmingham film* fanatic and founder of the chain, Oscar Deutsch. He retained a Birmingham architectural practice, Harry Weedon and Partners, which developed the idea of architecture as corporate advertising. It was England's answer to Art Deco. Odeons spread all over England, as fast as McDonald's hamburger chain spreads today. All of them adopted a *streamlined modern style, with* interiors that were memorable *for geometric carpet designs* and glamorous ruched stage curtains. They even developed their own lettering – the hexagonal "O" for Odeon is as distinctive as any logo.

Architects had a field day with cinemas, and only a few firms were employed. Harry Weedon in Birmingham enlarged his office from six to 140 employees in 18 *months* at the height of the cinema boom, and *George Coles*, who worked in partnership with Percy *Adams, completed more than* 60 cinemas. Coles's greatest work was the Gaumont State theatre in *Kilburn. It opened in* 1937 and was the largest cinema in England, with some 4,000 seats. With its tower, this ambitious building still stands, and is a landmark in north-west London. In turn, Coles's Trocadero at London's Elephant and Castle stood out as a haven of elegance.

Unfortunately, cinemas have lost their romance, and with it their glamour, as well as the *feeling that a visit to a mov*iew-house was an occasion. The modern divided-up building with half-a-dozen tiny cinemas inside the space of a larger former one is an unattractive animal.

There is no space in which to circulate, no sense of a special occasion. The great Odeon foyers were impressive and stylish, like the old movies. Yet our concrete times need glamour even more. We will have to be vigilant about the remaining super cinemas, for we *shall* not see their like again in the *next 100 years*.

Genius for rugby

Keith Wheatley on a force taking Bath forward

When Jack Rowell left Bath to become manager of the England rugby union team, there were two near-unanimous predictions. First, that the England side would start to play the kind of open, flowing rugby that Rowell preached. Second, that Bath might lose their total dominance of the club scene *with the departure of Rowell* after 17 years as the club's coaching guru.

Yet one year on we see a very different outcome. England may have won at Murrayfield and spoiled Scotland's hopes of a grand slam, but their performance was universally condemned as a negative display of forward power and penalty kicking. To millions of fans it looked like *1960s rugby come back to* haunt them.

Bath, on the other hand, go from strength to strength. They are this season's favourites to win both the Courage league and Pilkington cup. Their brand of expansive, running rugby is a level above *almost* any other team in Britain, with the occasional *exception of Sale and Wasps*.

Insiders say that much of the credit should go to a quiet northern schoolmaster, Brian Ashton. He is in his seventh season coaching at Bath, but in the past year has stepped out of Rowell's shadow and accepted the spotlight. Ashton's vision drives the side.

"For the first four years I was *simply* coaching the backs," explained Ashton, *before supervising evening* prep at King's School, Bruton, in Somerset, where he is head of PE and teaches history. "But it gradually spread to trying to develop the forwards' handling and running skills, plus decision-making. As our vision of the game began to catch hold and widen, we began to think our forwards should be doing more than pushing at scrums and jumping at line-outs."

This encompasses far more than *encouraging beefy props* to run faster and pass more often. It goes to the root of how each player perceives his role. "Traditionally in rugby, Numbers 8, 9 and 10 have been the decision-makers," says Ashton. "At Bath we tend to say: 'Look, if you've got the ball it doesn't matter what number you've got on your back. You're in charge of what happens next. And if you're stood next to that guy, you're responsible for ensuring continuity and flow in the game'."

Ashton sees the key to *Bath's ascendancy* as the mid-1980s, when stand-off Stuart Barnes joined. Ashton had never encountered any player so competitive, so engrossed in winning, that it took the team to new levels of commitment. "Bath never want to stand still. That's now the root of the club's success. Now the players have got on a roll *they'd just hate to be on a* side that didn't win the double or whatever. It's a constant challenge," he says.

In his younger days he was a good scrum-half, on the fringes of the national side. He toured with England in 1975. "We've always tried to stay one step ahead of the game, but at the moment I think we're two or three steps ahead of most sides in the *first division*," he says.

Barnes, retired from playing and a writer and commentator on rugby, reciprocates Ashton's esteem. Says Barnes: "As a coach he would always come up with something original: throw the players an idea and ask them if they could make something of it. He certainly didn't have Jack Row*ell's confrontational style of* motivating people but is fan*tastic at asking questions* that get a team thinking."

Ashton's style of going *for* minds rather than hearts shows in his enthusiastic appreciation of a recent campaign by his sixth-form pupils. At an early-season schools Sevens tournament, Ashton urged the Bruton side to see if they could go the whole 20-minute match without a kick.

Not only did they manage it but the boys unilaterally *decided to adopt non-kicking* as a 1st XV technique for the rest *of the term*. "It was extraordinary. They won 11 games *out of 12*, scored an average of seven tries per match *and* beat our old rivals King's College, Taunton, 37-8. We *hadn't beaten them* in 26 years," says Ashton. "*Although it obviously* isn't feasible to 'ban' kicking in *Division I rugby, I managed* to convince the Bath players *that this* is the general direction we ought to be heading *in, and we've* begun to use some of the moves that the boys developed."

As top-level rugby union moves through its transitional stage towards full professionalism, Ashton comes closer to a personal dilemma. Bath's team train on Monday and Wednesday evenings. Ashton gives them his spare time and somehow it all works. "If the players become *full-time or even part-time* professionals, I'm sure they're not going to want to train from 7pm to 9pm on a weekday evening in winter.

"They're going to want to get it out of the way in the morning, then go off to the office or spend the afternoon with their families and live a more civilised life. . . They're *going to want a coach* at the same times and that would mean a big change in my life.

"I love teaching, love contact with the youngsters. It keeps your own attitude fresh. I've been a teacher since 1969. I've never been a full-time rugby coach. I'm 50 years old and I haven't got many more miles left in me. Perhaps five more years at the level I am now."

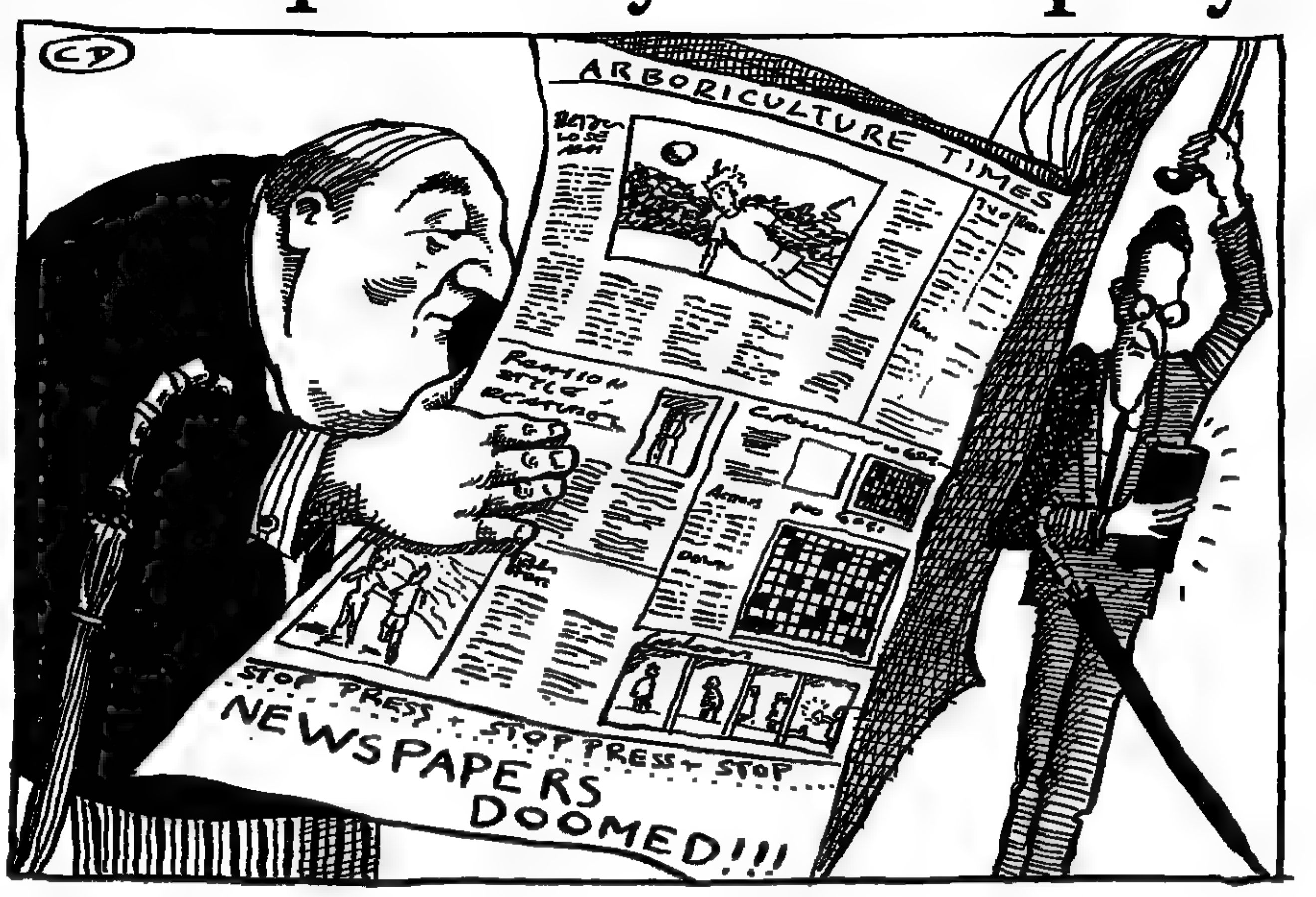
What will shape Ashton's decision is his belief that Bath have yet more *to offer* on a wider stage. "I wonder if the Courage league has served its purpose?" he asked. "The same four clubs seem to end up at the top of each division every season. It was introduced to shake up English rugby and improve standards, and it's done that now.

"The Anglo-Welsh league and the prospect of a European competition are all more exciting. The game needs new horizons and cultural chal*lenges. There's no* limits to how good we can be at Bath."

هكذا من الأصل

As Japan's commuters consult the first palmtop electronic daily, **William Dawkins** in Tokyo and **Martin Mulligan** in London find the newspaper industry strangely sanguine. But even weirder stuff is on its way, says **Victoria Griffith** in Boston

Hold the liquid crystal display!



The portable electronic newspaper has burst free of the pages of science fiction and become a reality in Japan, *write William Dawkins and Martin Mulligan.*

The Mainichi Shimbun, Japan's third largest selling national daily, has launched what it believes is the world's first pocket-sized computer newspaper, and is confident that it will reach its target of 50,000 subscribers within the year. The electronic Mainichi already says it has more than 1,500 readers, increasing at a rate of more than 200 daily.

The electronic Mainichi can be received in Japanese five days a week by modem on a Zaurus palmtop computer, made by Sharp, the electronics company. A simple menu enables readers to download and store news stories. These can be filtered according to personal interests, to be recalled and read – one-handed, if necessary – on the crowded subway journey to work.

The electronic Mainichi is updated at 5am and 5pm, or more frequently for big breaking stories, so that the young office workers seen as its target readership can refresh their Zauruses *before leaving* for work in the morning and prior to returning home. The Zauruses can pick up their news implants via telephone, mobile or public call box.

The electronic Mainichi is by *no means a full version of the* dead-trees newspaper. Via Nifty Serve, a Japanese information service network, the Mainichi has made available between 150 and 200 stories per day at 150 words each. A typical selection of 18 pieces takes about three minutes for the Zaurus to download on its 2,400 bits per second modem, says Takuya Kikuchi, Mainichi's deputy manager of information development.

Like other personal digital assistants, the Zaurus has a Filofax-sized monochrome screen, on which short news stories are relatively easy to read. A better service will be available within a year when Sharp launches a colour-screen Zaurus able to show pictures.

For most readers, the electronic Mainichi will be a more expensive – even if more convenient – way of receiving their news than spending Y110 (68p) per day on picking up a dead-trees version at a kiosk.

The basic electronic service costs Y500 per month, plus Y10 per minute telephone charge and subscription to Nifty Serve. Then there is the Zaurus: Y93,000 for the latest model. It does nearly everything that a laptop can do.

Despite the relatively high cost to readers, the economics of the electronic service seem certain to arouse interest within Japan's vigilant newspaper industry. There are 800,000 Zaurus owners in Japan, and the newspaper's Takuya Kikuchi reckons that the service, to which 10 staff have been allocated so far, needs only 10,000 readers to show a profit.

Mainichi's bid for electronic readers among Zaurus users makes observers wonder whether a similar service may work in other countries, such as Britain, which has a high number of palmtop owners. Foreign newspaper magnates may soon take an intense interest in Tokyo commuters' reading habits.

But is Japan's fast, young, commuting newspaper readership representative of the rest of the world? Roger Fidler, a founding father of the electronic newspaper concept, who developed a prototype for Knight Ridder in Boulder, Colorado, thinks that only a particular kind of reader wants frequent news updates. Others – perhaps the majority – would be uncomfortable with updates throughout the day. "It would make people feel they're always missing something," says Fidler.

Reader resistance and established habits are obstacles in most places. But the holy grail of the truly electronic newspaper appears to be drawing nearer as computer ownership rises internationally and production costs plummet.

The newspaper, nevertheless, remains the ultimate random access information provider, and its role clearly goes beyond even that, as a source of entertainment and analysis. There is even evidence globally that, far from eroding readerships and sounding the death knell for ink-on-paper versions, electronic technologies of all kinds are stimulating book and newspaper sales.

UK newspaper proprietors nevertheless have their antennae tuned to developments in Tokyo. Hugo Drayton, electronic publisher and marketing director at Conrad Black's Telegraph group in London, predicts that "at the margins and in the longer term, [palmtop technology] will have an effect on dead-tree readerships, but not in the next five or ten years". Just now these technologies appear to be giving a fillip to the industry. People reading the Net version of The Telegraph, for instance, are new readers – "people who wouldn't normally read us", says Drayton .

A source at Rupert Murdoch's News International, who did not want to be named, said that "although the industry is not quaking in its boots, it takes the challenge of these new information delivery mechanisms seriously". But not too seriously. In London, the Murdoch-owned Times and Sunday Times, which have invested in Net sites and boast 120,000 registered users, still lack a palmtop pilot project.

Tim Jackson

Brokers tremble as E*Trade takes off

Your broker is now obsolete! This was the banner headline across a recent full-page advertisement in US editions of The Wall Street Journal. The ad was bought by a Californian technology company, E*Trade Securities, to raise the competition between America's discount brokerages to a new pitch.

Last month, E*Trade launched a service to allow customers to deal in stocks, bonds and options using the World Wide Web of the Net. The Net allows orders to be filled without human intervention: bargains are struck entirely by computer.

E*Trade is not the only brokerage that allows customers to issue buy and sell instructions on the Web. I know three others; there may be more. But the company is interesting for at least two reasons.

One is its prices. At a flat rate of $14.95 (£9.70) per deal on the New York exchange and $19.95 on Nasdaq, E*Trade's broking charges are probably the lowest in the business, with the exception of deep discounters who offer unlimited trades for $800 a year. That is certain to put pressure on the discount brokerages which have persuaded millions of US investors to give up long-standing relations with a single broker in favour of a low-cost dealing system in which they talk to a different 23-year-old every time they call.

The other interesting point about E*Trade is its background. By pedigree, it is neither a retail brokerage nor a Web design house; it is a technology firm that developed online products for companies such as Schwab and Fidelity, and has operated its own online broking channels since 1992 through America Online and CompuServe, and via direct telephone modem link.

The great strength of E*Trade's Web site is that it is simple. Orders are entered using a one-screen form; balances, transaction histories and portfolio valuations are equally easy to obtain. There *is no handbook to read, no* floppy disks to send off for, no set-up fees to pay, and no strange software to learn.

Part of this simplicity is no doubt due to Pam Kramer, a former Salomon Brothers employee who came to E*Trade from a consumer software company where she developed computer programs for children. Kramer, who was responsible for the site design, boasts happily that a customer can buy stock on her system using only two mouse clicks, while a competitor's Web site requires seven.

Two refinements are likely on the site (*http:/www.e-trade.com/*) in coming months. Context-sensitive news will allow a customer interested in a particular stock to click a button to check for the latest news on it. And passive e-mailing will allow customers to receive information about news or changing prices without connecting to the company's Web site.

Kramer says E*Trade's products appeal, predictably, to early adopters. Three-quarters of customers have two or more university degrees. Their median age is 40, which for US retail investors is young. They are also active traders: a substantial proportion of users of the new Web service buy or sell three times a week.

The service carries risks. In amateur hands, the temptation to deal often may prove so great that customers churn their portfolios, throwing away in market spreads what they have gained in broking discounts.

But E*Trade's move illustrates the Web's growing momentum as the delivery mechanism for a wide range of products and services. According to Kramer, most customers want to trade from the office. In many US companies, it is easier and quicker to do this across the Net than by phone or via a proprietary online service.

Web-based broking may prove a good case study of what the Net can do to a service business. The Net removes intermediaries, allowing a company that possesses an underlying technology to jump over others that have cultivated relations with end-users.

The Net also makes geography irrelevant: E*Trade's 200 employees, all based in Palo Alto, can serve not only all American states but also customers outside the US, who at present pay high fees to deal in US stocks.

The Net removes economies of scale. E*Trade will not say how many customers it has, though I believe the figure is a little over 60,000. Yet its technology ownership and its low cost base may allow it to compete with the Schwabs and Fidelities of this world, which are two orders of magnitude larger.

An illustration of how the Net equalises big and small firms can be seen in advertising. E*Trade booked radio ads and two pages of The Wall Street Journal, and paid $15,000 for a slot on the Netscape Web site. But its most valuable source of new clients so far is a recommendation from best-of-the-Web services and search engines.

There are only two respects in which E*Trade makes an odd Net business. One is that the ceo of its holding company, Bill Porter, is 67, with about three times as many years' business experience as the average Net ceo.

Another is that the company believes there are barriers to entry to its market. With 1m lines of code and $12m of equipment, E*Trade's system will take more than a weekend's work to imitate. The need for regulatory approvals from exchanges, and from each state, will also slow the competition down.

Tim Jackson's Web site is http://www.pobox.com/tim.jackson

Digital ink grants every whim

It may soon be possible to curl up with your computer in an armchair the way you would with a good book, thanks to work at the Massachusetts Institute of Technology's Media Laboratory, writes Victoria Griffith.

Researcher Joseph Jacobson has come up with a method of embedding particles in paper to make what he calls an "electronic book", and plans to have a prototype ready within 18 months.

The device would pack a big memory – Jacobson claims it will be able to store about 500 works of several hundred pages each – and have the weight and *feel of* a traditional, ink-on-paper book. Text could be taken directly from the Internet. According to Jacobson, it would take just one minute to download a work like *Moby Dick.*

The technology means that a library of books or other written material could be contained in a single electronic volume. When a button was pressed, the electronic ink *inside the* device would be transformed in seconds, turning a copy of *War and Peace,* for example, into *The Client.*

Paper is not the only possible medium. Jacobson also sees demand for print on ultra-*thin* acrylic sheets. "That way you could take the book to the beach and not worry about getting it wet," he says.

If everything goes to plan, analysts say the new product could transform the multimedia revolution. It also has profound implications for journalism.

Infobahn cruisers have two common complaints: first, that it is hugely tiresome to read things on a screen; second, that computers are not as portable as books, magazines or newspapers. "These hurdles have yet to be cleared to make the multimedia reading experience enjoyable," says Edward Julian, a multimedia analyst at International Data Corporation.

Books have other advantages over computer screens as well. They can be thumbed through in a way that is difficult to do with text on a screen. And readers can make notes in the margins of books far more easily on paper.

The electronic book project, which is being designed for commercial use, is being funded by Gruppo Grauso and the Things That Think Consortium, which funds much of the Media Lab's work. Jacobson says the volume will probably retail for about $2 to $4 per reusable page.

He is not the first researcher to tackle digital ink. In 1962, scientists came up with particles that could be flipped with magnets to create different designs, while in 1977 Xerox embedded electronic particles on thick rubber sheets. These inventions were seriously flawed, however. The resolution of the ink was poor, making the print difficult to read, and the media were too thick and bulky for the electronic ink to be of much use.

Liquid crystals – used in standard laptops – are a form of digital ink that transformed the computer market, *allowing* for smaller, more portable devices. Liquid crystals are unstable, however, and need thousands of transistors behind them providing a constant electronic charge to keep the molecules in place. For that reason, they cannot be used on a surface as thin as paper.

Jacobson says the particles he has created for the project are small and stable enough to be put on paper. The particles, at 40 microns, are essentially bi-coloured spheres that can be rotated through small amounts of electronic charge to create different patterns, which give the illusion of ink on paper.

Jacobson admits there may be some problems in applying his technology. One question is how to deal with the copyright on electronic books. "One of the first uses may be to download from the World Wide Web 500 copies of pre-second world war titles," he says. "That way we wouldn't have to deal with royalties."

With time, though, Jacobson believes the copyright issue can *be handled. The scientist sug*gests a device that signals a publisher when a book is called up electronically. A fee could then be levied via credit card. Jacobson also foresees early applications for lawyers, who need to review enormous amounts of documents. "We could come up with a way to store margin notes in the book's memory, so that attorneys could mark up the documents," says Jacobson.

The printing industry is interested in the technology. "We could see a demand for textbooks with charts and tables geared specifically to certain students, for instance," says John Tanelli, senior vice-president of technology at printer R R Donnelley. "The textbooks could be altered and updated more easily."

The electronic book has profound implications for journalism as well. Presumably it would be available at magazine-thickness. Instead of buying a newspaper at a local stand, readers could download it every morning from the Internet on to their digital pages, then stash them in their briefcases to read on the train. The magazine might contain in its memory not only the most recent edition, but past versions as well.

However, the Media Lab's project faces some significant hurdles. It is still uncertain, for instance, whether the resolution of Jacobson's particles will be high enough to make them as readable as ink on paper. Even if it is, sceptics say the lack of interactivity will be a severe drawback. "The reason people read us on *the Internet* is because they can interact with the paper, 'talk' to the editors and things like that," says John Lux, online editor at the Chicago Tribune. "If there's no interactivity, there's no advantage over buying the paper at the local store."

Others disagree. "If people wanted to be interactive all the time, books would be dead," says Edward Julian of IDC. "Even if there is no interaction, there would be a lot of applications for this sort of technology."

Cyber sightings

● Baltimore investment management firm T Rowe Price (*www.troweprice*) has put up a very nice site, with simple, effective graphics and lots of information. *It has* mutual fund and retirement investment data, plus daily market updates and weekly summaries. Good links also to other investment-related sites.

● After my *six* year-old's recommendation of the Disney site last week, I have no qualms about including another of his latest favourites. Famous US toy store FAO Schwarz's site (*http://faoschwarz.com*) allows you to browse its catalogues and *see* the most up to date toys. They're "serious about play".

● Details of Intelligent Environments' Amazon Web server, with the implications for *interactive* client-server applications, can be obtained from *www.ieinc.com*

● Oxford-based Freepages (*www.freepages.co.uk*) has designed its database system "to be one of the most comprehensive UK classified business directories". Searchable, and able to pinpoint the nearest business or service provider.

● Benetton launched its new "virsite (*www.benetton.com*) "virtually" *last* Wednesday. The server was unobtainable most of the next day, perhaps due to heavy usage. It has Press releases, catalogues and ad campaigns from the clothes company that loves to shock.

● *From* one sin to another . . . The Seven Deadly Sins is a guide to systems selection and implementation by Tate Bramald, the London-based accounting systems integrators. The site (*www.globalnet.co.uk/~tatebramald*) gives advice on how to avoid the pitfalls connected with systems projects.

● Dutch brewer Amstel has set up the Riversite Café (*www.amstel.nl*), where you can sign up for a quiz to win tickets for the Uefa Champions' Cup final. A fun site, but those yellow backgrounds are a bit too much if you've been upping the company's profits the night before.

● In like vein, the technicolour mish-mash that is the Club 18-30 site (*www.sub-net.co.uk/subinfo/18-30*) is exactly what you'd expect after the Limbo Dance While Drinking a Pint of Sangria Contest.

● The Creative Incentive Coalition (*www.cic.org*), including many large US media and publishing associations, has *a site for visitors to* learn about copyright in cyberspace, and to collate information on copyright legislation. A site well worth a visit.

steve@mcgook.demon.co.uk

Financial Times on the World Wide Web
www.ft.com
or
www.usa.ft.com
Updated daily

A drive for technology

Competitive car-hire groups have found a reason to co-operate, says Amon Cohen

Collecting and returning a hire car is a notoriously irritating business. Not only is there a mass of paperwork covering insurance, licences and credit card payment, but there can be lengthy delays while the vehicle is checked for mileage, petrol consumption and damage.

Stimulated by the rivalry in one of the most competitive sectors of the business travel market, car-hire companies have been working on ways of cutting transaction time for their customers both at the beginning and end of the rental process.

Some offer a priority collection service which involves booking the rental over the telephone or computer and simply picking up the keys in exchange for showing your credit card. On return, many car-hire companies equip their employees with organiser hand-held computers to register return information as the car arrives in the parking lot.

The car-hire industry is poised to go a step further, and is evaluating technology developed by, among others, Texas Instruments. Using the new system, returning drivers will simply have to drive over an electronic pad in the ground.

This will record not only the vehicle registration and identification numbers, but what time the car returned, how many miles it covered, and how much petrol was left in the tank.

This is possible thanks to the transponder – a computer chip that responds to radio waves rather than direct contact. Under the system each car would be fitted with a transponder which would be read by an antenna loop in the pad when the car is driven over it.

If implemented this could save a great deal of time. John Allen, project manager for the British Vehicle Rental and Leasing Association, says it might soon "not be necessary for a driver to do anything apart from park their car and get out of it".

The transponder will also eliminate arguments, especially at locations where there is no attendant and drivers are obliged to fill in details and leave them in a box.

"With this technology, there can be no dispute over the accuracy of return time and data," says Allen. So far, no car-hire company has bought the technology, although Avis has "flirted with it" in the UK and Italy, according to Chris Fisher, Avis Europe's director of planning and analysis.

In the US, Alamo Rent A Car has also investigated transponders, but does not intend to introduce them this year, says Gillian Shearer, senior sales and marketing director.

However, the chances of introducing transponders now look better than ever thanks to an initiative from the the UK rental and licensing association and the European Car and Truck Rental Association.

But customer service is not the main reason for pressing ahead with the technology – companies are concerned about security, which is why they are prepared to co-operate on the issue.

According to David Hislop, sales and marketing manager of Texas Instruments Registration and Identification Systems, tough security systems are necessary because of a particular feature of the car-hire industry.

"Car-hire companies are unusual because they are giving a very valuable asset to people that they know very little about," he says. This trust has been breached in recent years, with a worrying tendency, in particular, for cars hired in western Europe to be smuggled outside the European Union to eastern Europe, normally through Poland.

Transponders may be the solution to the problem, and the licensing association met Texas Instruments and Customs and Excise recently to discuss the issue. Texas Instruments is proposing to fit antennae at every port and customs post in the EU, where officials would be equipped with computers which could alert them when a car authorised for travel only in the EU tried to cross the Union's frontiers.

Such a measure would frustrate thieves and ultimately, says John Allen, prevent car-hire tariffs from rising.

Nor would criminals be able to circumvent the problem by removing the transponder chips from cars: "A transponder is only the size of a 5-amp fuse, so they would be hard-pushed to find where we had hidden it in the car," says Allen.

Another security measure being considered is the use of transponders to immobilise rental vehicles. Many new vehicles are already fitted with these devices: a chip in the key head prevents the operating system from functioning unless the correct key is inserted. In a rental vehicle, a transponder could be used to immobilise it after the hire period has elapsed.

As a bonus, car-hire companies could also use transponders to eliminate internal fraud. If an antenna pad were placed near company petrol pumps, only authorised vehicles – not staff cars – would be able to draw any fuel.

With so many apparent benefits, one might expect transponders to be fitted in every hire car by the end of next week. After all, the technology is there, and is similar to the systems being considered by the UK government for use on private toll roads.

The stumbling block is that capital costs may prove prohibitive: Malcolm Kyle, security manager at Hertz UK, who is also on the licensing association's security committee, says transponders could be "a solution to a big problem.

"The European car-hire industry is losing large amounts of vehicles every year. But we are talking about fitting transponder technology at every border post, every port and every rental vehicle," adds Kyle. "There are 1.5m [hire cars] on the road in Europe at any one time, and most hire companies replace their fleets after less than a year."

Despite that upbeat assessment, there is no guarantee that transponders will be introduced. In the meantime, however, civil liberties campaigners may start considering other implications of transponders.

If they were installed at all frontiers and goodness knows where else, would we be happy that computers were tracking us wherever we drove?

Guard offer for Russia

UK travel agents are prepared to provide armed bodyguards for British visitors to Russia, it was revealed last week. The news follows the death of Scottish lawyer John Hyden who was caught in the crossfire of a shooting in a St Petersburg hotel last month.

The Foreign Office in London has already warned tourists to Russia to exercise caution, especially in Moscow and St Petersburg. "We can and will provide armed bodyguards if they are asked for," said Mike Chandler, chairman of Russian specialist tour operator Worldmark Travel.

Keith Betton, head of corporate affairs at the Association of British Travel Agents, said that independent or business travellers to Russia were most at risk.

Travellers are warned to be vigilant, to dress down – and to keep jewellery, watches and cameras out of sight. Visitors to Moscow should be especially wary of groups of young vagrants.

● The airport at Hue, in central Vietnam, will be closed for three months from April 1 for a £1.9m renovation and extension of the runway. Passengers can fly to Da Nang and be bussed to Hue.

Travel News · Roger Bray

Pressure on US fares

Air fares to and within the US look likely to come under increasing upward pressure. European airlines reported record north Atlantic load factors for the 10th consecutive month in January, and US domestic airlines are turning in profits again after nearly piling into a black hole.

The Association of European Airlines says north Atlantic flights by members, which include British Airways, Air France, Lufthansa and other large airlines, were on average 64.1 per cent full in January, which is usually a slack month. Traffic across the Atlantic rose by 8.7 per cent, in spite of the blizzards on the US east coast.

Research by Reed Travel, which publishes the Official Airline Guides, contains yet more cautionary news. The number of airlines going bust in the US last year exceeded the tally of new ones. Big carriers desperate to cut costs have pruned or partly absorbed their franchised commuter operations. Some small operators, not sheltered by the marketing umbrella which the large carriers afford, have been dropping by the wayside.

When the dust settles, travelling will be more predictable, with services less likely to vanish overnight. The downside: softer competition and fewer spectacular bargains.

Sharp electronic eye

Big Brother may be watching you. Travellers tempted to switch airlines or pump up hotel spending – either to ensure an upgrade or earn more frequent-flyer or loyalty points – beware. Travel agency Carlson Wagonlit is developing software which will flag a warning when people are infringing travel policy.

Nobody knows how much UK companies, for example, spend unwittingly indulging executives' travel comforts and perks, but some agents estimate it could be as much as £200m a year. As Richard Lovell, UK managing director of Carlson Wagonlit, points out, some companies are stricter than others.

However, he believes the impact of employees trying to earn additional airline points is relatively slight. Agents booking executives on unnecessarily tortuous routes with the same end in mind would quickly forfeit business. His company's Quality Manager system will allow travel managers to spot offenders even before they take a taxi to the airport.

Cheaper way to Jo'burg

Cut-price alternative on the London-Johannesburg route: Bluebird Express has got permission from the South African government to sell charter seats at either end of the route without dressing them up as package holidays. It may also offer single fares. A 10-day advance purchase return in Caledonian Airways' Highland first class costs £719 – the single fare is £455. There are two round-trips a week from London Gatwick on Mondays and Thursdays. Seat pitch is 38 inches. That compares with about 44 inches with South African Airways, where the lowest business class return fare is £2,090; and 50 inches in British Airways' re-vamped Club World. The lowest fare with BA in Club World is £2,235.

Paris prices held

Dining in Michelin-starred restaurants can be painfully expensive. So it is heartening to see that at least one exalted Paris restaurant has held its *prix fixes* in check.

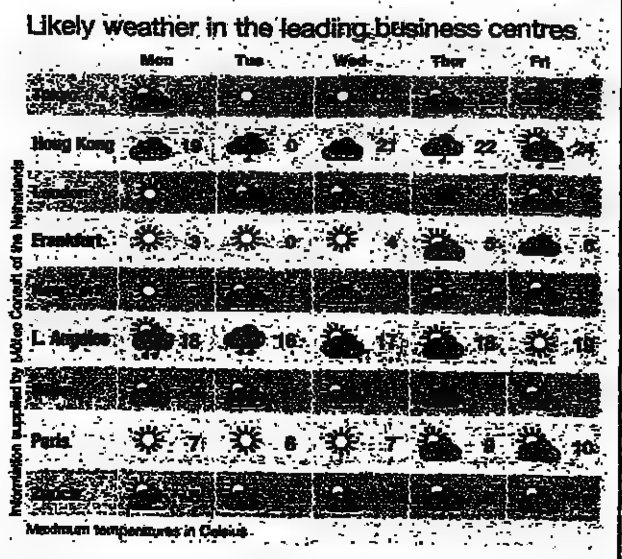
The new edition of Michelin's red guide to France elevates Arpège in the Rue Varenne, in the seventh arrondissement, from two stars to three-star status. Specialities include smoked chicken with foie gras ravioli. And for the time being, at least, its cheapest set lunch costs the same FFr390 (£50.51) as in 1994. Les Elysées at the Hotel Vernet, in the eighth arrondissement's Rue Vernet, has been given two stars.

Useful one-star additions outside Paris include Michel Sarran in Toulouse, handy for those with Airbus contracts, and two in Troyes: Auberge de Ste-Maure and Clos Juillet.

Strong stuff

That most delightful of hotels, 42 The Calls, in central Leeds, lists its cellar contents on labels stuck to three-litre Côtes de Blaye bottles from Bordeaux, which are put in the hotel rooms. "We asked the suppliers to fill them with coloured water," says conference and sales manager Helen Tremlett, "but it was cheaper to buy them full of wine."

Likely weather in the leading business centres



ARTS

OPENINGS

CHICAGO
Lyric Opera's 1995-6 season comes to a climax with three cycles of "The Ring", starting tonight at the Civic Opera House. The Chicago production – conducted by Zubin Mehta, staged by August Everding and designed by John Conklin – brings together many of the world's leading Wagner singers, including James Morris, Siegfried Jerusalem and Matti Salminen. The second cycle is the one to go for – with Jane Eaglen singing Brunnhilde.

BASLE
As a prelude to Hans Werner Henze's (left) 70th birthday in July, Basle's performing arts institutions have organised a three-week Henze festival embracing dance, opera, orchestra concerts and recitals. The composer will give talks and readings, and there will be an exhibition tracing his collaboration with the German author Ingeborg Bachmann.

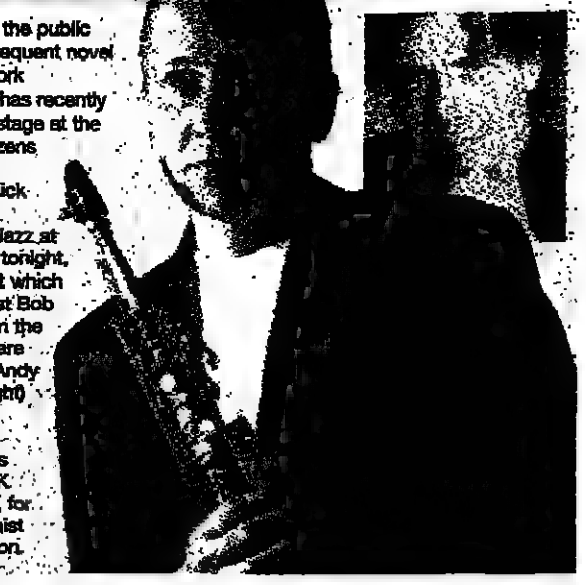
BUDAPEST
Since it was first held in 1981, Budapest's Spring festival has developed into Hungary's biggest arts event. The 1996 programme, opening on Thursday, features the Cleveland Orchestra, the Martha Graham Dance Company, the Budapest Festival Orchestra and staged performances of Wagner's "Parsifal".

CANBERRA
Two of Australia's leading museums have pooled their resources to mount a retrospective of J.M.W.Turner. Comprising 100 of the artist's finest works in oil and watercolour, it opens at the National Gallery of Australia in Canberra on Saturday, and moves to the National Gallery of Victoria in Melbourne in June. Of particular interest are Turner's two paintings of the spectacular fire that destroyed the Houses of Parliament in 1834.

LONDON
Sam Mendes's (below) acclaimed staging of Stephen Sondheim's "Company" transfers from the Donmar Warehouse to the Albery Theatre on Wednesday, joining Mendes's Donmar staging of "The Glass Menagerie" in the West End (at the Comedy Theatre).

The cult play of the cult novel "Trainspotting" (not to mention the cult film) transfers on Thursday to another West End theatre, the Whitehall. The adaptation is by Harry Gibson. The novelist Irvine Welsh is very much in the public eye; his subsequent novel "Marabou Stork Nightmares" has recently taken to the stage at the Glasgow Citizens Theatre.

Pianist Chick Corea (inset, right) opens Jazz at the Barbican tonight, with a quartet which features saxist Bob Berg. Later in the month there are concerts by Andy Sheppard (right) and John Surman. The season closes with a rare UK date, in June, for swinging pianist Oscar Peterson.



Riace bronzes back on their feet

High-tech meets ancient Greece in Reggio Calabria. **Robert Graham** reports

In a neat paradox, one of Italy's most unlovely cities hosts two of the country's most stunning works of art. The city in question is Reggio Calabria, which was near levelled by an earthquake at the turn of the century and where hideous recent building has broken every rule in the planning book.

But a visit to Reggio's archeological museum will instantly erase these unappealing surroundings. The museum houses the so-called Bronzes of Riace. These are two of the finest and best-preserved bronze statues to survive from the Greek classical period, which were fortuitously found embedded in sand off the Calabrian coast near Riace by an amateur diver in 1972.

The grace and sheer presence of these extraordinary male figures (to say nothing of their sensuality) made them instant celebrities. Requests to exhibit them round the globe flowed in, including for a special guest appearance at the Los Angeles Olympics.

However, these 2500 year-old statutes – probably representing Greek heroes – have only left Reggio once. This was for a five year-long restoration in Florence which lasted until the end of 1980. Advantage was then taken for their brief exhibition first in Florence, then in Rome where they enjoyed the rare honour of being displayed in the presidential palace.

The statues have just undergone a second and more complex restoration and conservation treatment. But now they are back on display in a specially controlled protective environment and balanced on innovative seismic proof stands because the danger of earthquakes in Reggio remains serious.

The second restoration was necessary because during centuries on the seabed the casting core inside the statues had absorbed substances harmful to conservation. Some 60kgs of earth was eventually extracted from each of the two statues.

More importantly, the cleaning process provided archeologists and scientists with precious new knowledge about Greek methods of casting bronze and statue-making. Indeed, the discoveries have opened up a new debate on existing theories about how the great Greek bronzes of the 6th-4th centuries BC (with such master sculptors as Phideas) were produced.

Until now, scientific knowledge of Greek bronzes has been exclusively related to the external surfaces. Thanks to funding and the technical assistance supplied from an array of companies within the Finmeccanica group (a state-controlled holding company), extensive "internal excavation" was possible.

Borrowing from medicine, scientists developed endoscopic techniques to poke around inside the statues. By laying the statues flat on "hospital beds", it was possible to penetrate their bodies through holes in the soles of their feet using thin articulated metal arms. Mounted on these arms were micro-television cameras and ultra-sonic cleaners (like those used by dentists).

The introduction of micro-television led to an extraordinary revelation. The cameras showed the sculptor/sculptors had made the inner casting cores from hundreds of thin slabs of clay mixed with animal hair, probably to give greater strength. These slabs, rather like strips of lasagna, had been wrapped spirally around internal iron bars, which formed the "skeleton" for the statues.

Although archeologists are not completely certain, this suggests the statues were created by free-hand modelling. In other words the sculptor did not start with a clay model which was then reproduced by a system of moulds of individual sections of the body as originally thought. Instead the artist made a non-reproduceable model which was then coated in wax prior to casting. No Greek author refers to this technique, which was not adopted until Cellini during the Renaissance.

The casting process itself was done in sections, and then subsequently joined. The cameras also showed just how sophisticated the joins were.

But if it is now clearer how the statues were made, the figures' identities are still shrouded in mystery. Dating techniques place one statue around 460-50 BC, the other some 20 years later around 430-410 BC. One theory has them representing two famous Athenian warriors at the battle of Marathon transformed into heroes – the height and proportions of both being exaggerated above the scale of the human body to emphasise their heroic nature.

The quality of the workmanship suggests them to be part of a group of statues made by several artists for the first monument in Athens commemorating the victory of the Athenians over the Persians at Marathon. The likely artists were from the circle of Phideas, perhaps one by his son another by a prominent pupil.

A second theory has them simply as heroic figures of the Greek classical period. This makes it easier to explain why the statues were to be found in the waters of the Ionian Sea far from mainland Greece. But were they being transported from Greece to Magna Grecia? Or were they already in Italy as part of war booty and being transported from one place to another?

Investigation at the time of discovery and subsequent searches has provided no positive sign of a ship-wreck. Thus the statues could even have been dropped overboard during a storm. Furthermore the similarity between the two could have been an early example of the Romans' predeliction for the antique trade, with a merchant anxious to show how it was possible to reproduce the likeness of a Greek hero.

The visual splendour of the statues, combined with their fascinatingly incomplete history, has placed the Riace Bronzes among the most important objects from antiquity in Italian museums. However, they remain very inaccessible.

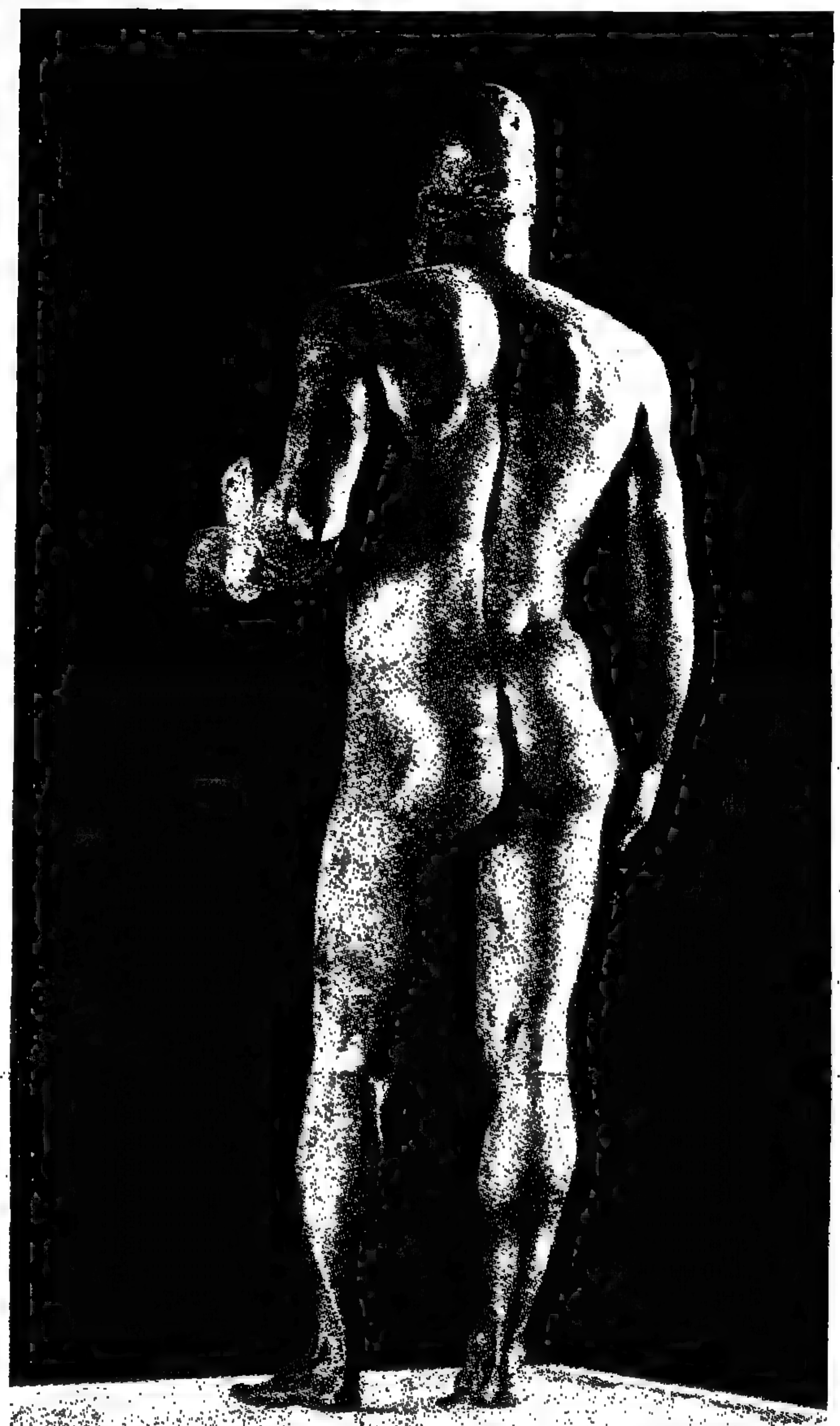
Legislation regulating Italy's cultural heritage stipulates that objects must be displayed in the region where they are found – regardless of their provenance. In the case of Riace, the nearest museum is at Reggio, which already had a good collection of Hellenistic and Roman objects. But Reggio sits on the toe of Italy, too far away and too expensive for the bulk of the Italian public and tourists to contemplate visiting. Of late fewer than 100,000 people have been going to see the bronzes each year.

Though visible almost continuously throughout the restoration process, attendance last autumn on some months was down to a mere 4,000. This compares to the long queues when on display in Florence and the 18,000 a day during their brief sojourn in Rome.

Such contrasting attendances has led to pressure for the Riace Bronzes to be transferred to a more central location like Rome. But Reggio, the scene of bloody riots in the 1970s protesting over being treated as a backwater, is unlikely to relinquish the Bronzes of Riace.

The only way to make them more accessible is thus via travelling exhibitions. The recent restoration has made this technically possible, and a number of international institutions have already voiced an interest.

In the meantime the lessons and techniques developed in the "internal excavation" have been placed at the disposal of the Greek authorities. But to profit, the Greeks will have to find funds or generous sponsors like Finmeccanica, which spent over $2m on the Riace Bronzes.



Grace, presence and sheer sensuality: one of the 2500-year-old Greek bronze statues which have just undergone a complex conservation treatment

Opera in Geneva/**Andrew Clark**

Mozart all at sea

Has Renée Auphan lost her touch? Her first Geneva season had to be put together quickly in some haste, but this hardly explains the *faux pas* of *L'Italiana in Algeri* last autumn and now *Die Entführung aus dem Serail*. Each fell victim to a misguided production idea and weak musical direction. What passed muster in Lausanne – where Auphan spent 11 years before moving to Geneva last summer – is not necessarily good enough for the international spotlight.

Dieter Kaegi's production of *Entführung* beggared belief. It was set aboard a 1950s luxury cruise liner, which had no more connection to Mozart's Turkish setting than Geneva does to Constantinople. The Pasha was a rich playboy; his "harem" consisted of male and female guests who divided their time between the ship's bar, the swimming pool and the promenade deck, where they approvingly watched the Pasha force his unwelcome attentions on Konstanze. A photographer snapped everyone as they boarded during the overture, and the "abduction" was attempted in a dinghy slung over the side. The libretto had been altered to suit this scenario, so it was never clear what Belmonte or Blonde were doing on board.

Balancing innovation with respect for the composer is never easy, but a few basic principles need to be followed. One is that updated settings must remain true to the situations of the original. Another is that the staging must cohere with the music. On both counts, the Geneva *Entführung* fell flat on its face. Mozart's music speaks eloquently of a clash of cultures – but apart from the rude sound of the ship's horn, the only culture-clash here was an anachronistic Osmin in turban and baggy trousers. The libretto speaks of fidelity, tolerance and forgiveness – but this production spoke only of trivialities.

William Orlandi's expensive shipboard settings were calculated to create an "effect", and the Geneva audience duly applauded. But they swamped the poor singers, who might as well have been reciting "A Life on the Ocean Wave". As Konstanze Mariella Devia struggled in vain to throw off the image of a frigid frump – though she has the vocal equipment for the part. Bruce Ford's Belmonte was bland and poorly projected, and Günter Missenhardt's Osmin has seen better days. None was helped by Dietfried Bernet's stolid conducting.

Jazz/**Garry Booth**

Gurtu's secret weapon

Saxophonist Jan Garbarek plays Lap folk songs on one record and against Gregorian chants on another; pianist Bheki Mseleku owes as much to the South African township as he does 52nd Street; hypnotic hip-hop and reggae drum patterns are now the backbone of Courtney Pine's work. Is jazz becoming the miscellaneous tray of music? Or is the art of improvisation extended and enriched by the sound of didgeridoos and Gambian thumb pianos? Yes, in safe hands, it is.

The Indian percussionist Trilok Gurtu, who last week embarked on a European tour at the Festival *Hall*, takes "crossover" a stage further by making his exotic orchestra of percussion the focus of a small group. Where lesser percussionists might sound over-exposed centre stage, Gurtu leads through sheer exuberance and firepower. He squats on the floor surrounded by cymbals, gongs, shakers, rattles and sticks; a modified snare drum and high hat are used for conventional rhythm accompaniment. The secret weapon is the tabla, Gurtu's first instrument, which he started on at the age of six.

Billed as the Crazy Saints – Andy Emler (piano), Dave Gilmore (electric guitar) and Chris Minh Doky (bass) – the quartet makes a sylvan form of jazz rock which is marked by sharp mood changes. While Gurtu rummages among the shells and husks which make up his shakers, heroic guitarist Gilmore works out a serpentine solo feature which verges on the heavy metal. By changing to snare and cymbal, Gurtu turns the group dynamic on a sixpence to colour a sonorous and sensitive double bass excursion from Minh Doky.

Absorbing though Gurtu's colouring is, blistering tabla work is what the people want. The 44-year-old squeezes an extraordinary range of sounds from the Indian classical drum. Even as the beats-per-second meter approaches the red line, Gurtu raises the percussive effect by simultaneously scatting a clacking vocal counterpoint. Jazz rock fusion needs a new voice and Gurtu has got it.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Benjamin Schmid and Tanja Tetzlaff: the violinist and cellist perform works by Ravel, Ysaÿe, J.S. Bach and Kodály; 8.15pm; Mar 13

OPERA
Het Muziektheater
Tel: 31-20-5518117
● L'Incoronazione di Poppea: by Monteverdi. Conducted by Christophe Rousset and performed by De Nederlandse Opera; Mar 12, 14, 17 (2.30pm)

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Orchester der Deutschen Oper Berlin: with conductor Rafael Frühbeck de Burgos perform works by J. S. Bach, Mozart and Beethoven; 8pm; Mar 14

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Andrea Chénier: by Giordano. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin; 7.30pm; Mar 15

BONN

OPERA
Kunst- und Austellungshalle der Bundesrepublik Deutschland
Tel: 49-228-9171200
● Giacometti: by Carneci. Conducted by Carmen Carneci and performed by the Oper Bonn and the Orchester der Beethovenhalle Bonn; 8pm; Mar 14, 15, 16, 17

COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● Romeo and Juliet: a choreography by Frederick Ashton to music by Prokofiev, performed by the Royal Danish Ballet; 8pm; Mar 13, 16

GHENT

OPERA
De Vlaamse Opera
Tel: 32-9-2230681
● La Forza del Destino: by Verdi. Concert performance by De Vlaamse Opera, conducted by Daniel Lipton; Mar 12, 14

HANOVER

THEATRE
***Niedersächsisches* Schauspielhaus** Tel: 49-511-321133
● Death of a Salesman: by Arthur Miller (in German). Directed by K. D. Schmidt. The cast includes Schories, Simon, Rasch, Mahlberg, Baumgartner and Brandhuber; 7.30pm; Mar 12, 14

LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Ralph Kirshbaum: the cellist performs J. S. Bach's cello suites Nos. 2, 5 and 6; 7.30pm; Mar 13

DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● The Royal Ballet: perform the choreographies Rhapsody by Frederick Ashton to music by Rachmaninov and The Invitation by Kenneth MacMillan to music by Seiber; new works by Ashley Page and Matthew Hart to music by Liszt and Britten; 7.30pm; Mar 13, 15

OPERA
London Coliseum
Tel: 44-171-8360111
● Don Pasquale: by Donizetti. Conducted by Maria Hegarty and performed by the English National Opera; 7.30pm; Mar 12, 14

LUXEMBOURG

CONCERT
Théâtre Municipal Tel: 352-470895
● Orchestre Philharmonique du Luxembourg: with conductor Gerard Oskamp and pianist Howard Shelley perform Beethoven's Piano Concerto No. 4 in G, Op. 58 and Liszt's Faust Symphony; 8pm; Mar 14

MILAN

OPERA
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Nabucco: by Verdi. Conducted by Riccardo Muti and performed by the Teatro alla Scala. Soloists include Renato Bruson, Mariana Pentcheva and Carlo Colombara; 8pm; Mar 12, 14, 16

MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920
● Serse: by Handel. Conducted by Ivor Bolton and performed by the Bayerische Staatsoper. Soloists include Ann Murray, Kathleen Kuhlmann, Christoph Robson and Julie Kaufmann; 7pm; Mar 13

NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Leonard Slatkin and percussionist Evelyn Glennie perform works by R. Strauss, MacMillan, Chabrier, Satie and Ravel; 7.30pm; Mar 12

OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● *La Forza del Destino*: by Verdi. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Sharon Sweet, Plácido Domingo and Vladimir Chernov; 8pm; Mar 12, 16 (1.30pm)

PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre Philharmonique de Radio France: with conductor Stanislas Skrowaczewski and clarinettist Sabine Meyer perform Mozart's Clarinet Concerto, Panufnik's Nocturne and Shostakovich's Symphony No. 10; 8pm; Mar 15

OPERA
Théâtre de l Opéra Comique
Tel: 33-1 42 44 45 46
● Il Barbiere di Siviglia: by Rossini. Conducted by Stefano Ranzani and performed by the Opéra Comique and the Ensemble Orchestral de Paris; 7.30pm; Mar 13

SAN DIEGO

EXHIBITION
Museum of Photographic Arts Tel: 1-619-238-7559
● For my best beloved Sister Mia: An Album of Photographs by Julia Margaret Cameron: more than 100 images from an album Cameron presented to her younger sister, Mia Jackson in 1863. The first American shewing of the album that features rare views of family life in 19th-century England; from Mar 13 to May 14

STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● La Traviata: by Verdi. Conducted by Kjell Ingebretsen and performed by The Royal Opera Stockholm; noon; Mar 12

STRASBOURG

THEATRE
Théâtre National de Strasbourg
Tel: 33-88 52 17 63
● The Seagull: by Chekhov (in French). Directed by Alain Françon, starring Dominique Valadie, Clovis Cornillac, Jean-Pierre Dougnac and Valerie Dreville; 8pm; from Mar 12 to Mar 16

STUTTGART

OPERA
Staatstheater Stuttgart Tel: 49-711-20320
● L'Italiana in Algeri: by Rossini. Conducted by Gabriele Ferro and performed by the Oper Stuttgart. Soloists include Roland Bracht, Gabriela Herrera, Etusko Kanoh and Gustavo Gibert; 7.30pm; Mar 13, 16 (8pm)

VALENCIA

CONCERT
Palau de la Música i Congressos
Tel: 34-6-3375020
● Vladimir Ashkenazy: the pianist performs works by Beethoven and Chopin; 8.15pm; Mar 13

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Hugh Wolff and violinist Cho-Liang Lin perform works by Stravinsky, Haydn, Bolcom and Beethoven; 7pm; Mar 12

OPERA
Opera House Tel: 1-202-416-4600
● Cosi fan tutte: by Mozart. Conducted by Richard Bradshaw and performed by The Washington Opera. Soloists include Pamela Coburn, Jan Grissom, Delores Ziegler, Richard Croft and Jerry Hadley; 8pm; Mar 12, 14, 18 (7pm)

WORLD SERVICE

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(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Michael Prowse · America

Economic uplift

An unexpected surge in employment has blown away fears of recession and increased Clinton's chances of re-election

There was a mood of stunned disbelief on Wall Street on Friday following the announcement that payroll employment had risen 705,000 in February – the largest monthly gain since the Reagan boom of the early 1980s. Economists were expecting a sizeable rebound following a sharp drop in January when activity was disrupted by blizzards. But an increase on this scale was not seen as remotely possible. The report crushed hopes of further cuts in short-term interest rates and prompted some of the most frantic bond and share selling since the 1987 mini-crash.

The White House reacted with undisguised glee. The drop in the jobless rate to 5.5 per cent, from 5.8 per cent in January, was yet another vindication of the Clinton administration's sagacious economic policies. While Republicans in New Hampshire were complaining of the economy's appalling weakness, it was actually creating jobs at a fabulous rate. Aides reminded the press that some 8.4m extra jobs had been created in the past four years – even more than Mr Bill Clinton had promised during his 1992 presidential campaign.

Market and political reactions were both overstated. One month's figures are never sufficient to establish a trend. Bond traders were talking on Friday of a "paradigm shift" – of a startling discontinuity in the economic data that required a complete rethinking of the business outlook. Hence the savage repricing of bonds and equities: share prices fell more than 3 per cent while long-dated Treasuries suffered their worst single-day setback since Iraq invaded Kuwait in August 1990.

The jobs figures did signal a shift in momentum, but they should not be regarded as inconsistent with other available data. Nor, probably, do they significantly alter the outlook for this year. The February data were distorted in several ways. The survey occurred late in the month which usually results in an outsized increase. Analysts also noted that seasonal adjustments at this time of year are unreliable: jobs have seemed to surge in February in three of the past six years.

Allowing for the loss of jobs in January, job gains have averaged about 220,000 during the past three months. That is somewhat above the average of 150,000 for last year, but not indicative of a surge in economic activity. The jobless rate has fallen to near the bottom of the 5.4 to 5.8 per cent range of the past 18 months, but not into uncharted territory. And weekly figures on claims for state unemployment insurance continue to run at a high level, suggesting the tightening of labour markets is fairly modest.

Other data paint a consistent picture of an improving, but not vibrant economy. Factory orders were up more than expected in December and January. Data on car and department store sales last month showed encouraging buoyancy. Consumer confidence rebounded smartly. All this suggests much of the weakness in January data reflected special factors such as the severe weather, two government shutdowns and the after-effects of a long strike at Boeing, the aircraft maker. The economy was undoubtedly sluggish at the end of last year: economic growth in the fourth quarter dropped to an annual rate of only 0.9 per cent. But it seems that bond traders were wrong to fear the kind of softness that precedes recessions.

What many economists have overlooked is the degree of downward pressure exerted during most of last year by companies' efforts to reduce excessive inventories, or stocks of unsold goods. Companies were not destocking: they were simply increasing inventories at a progressively slower pace. But this slower rate of increase significantly depressed production and job growth. Recent data suggest the rate of stockbuilding may finally be stabilising and could begin to rise. The lifting of this downward pressure from inventories helps explain why employment rebounded so sharply.

Investors were right to assume that Friday's data quashed any remaining hope of another cut in short-term interest rates at the Federal Reserve's policy meeting this month. But the talk in some quarters of the possibility of rate increases was premature. The Fed is fighting inflation, not growth, and the wage and price outlook remains pretty encouraging.

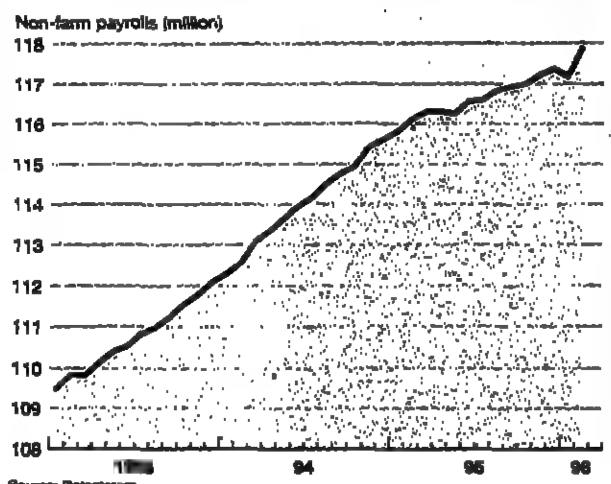
In February average hourly earnings declined fractionally in spite of the surge in hiring. Producer and consumer prices did rise more than expected in January. And on Friday Columbia University reported the first increase in 15 months in its leading indicator of inflation. But these blips are not thought to have alarmed the Fed. It believes the data, as a whole, still point to stable rather than rising inflation.

Far from being a source of alarm, the jobs figures suggest Mr Alan Greenspan, Fed chairman, has once again accurately judged the economy's pulse. In last month's monetary testimony to Congress, he upset bond traders by saying the economy was fundamentally sound. He predicted growth of 2 to 2.25 per cent this year. If you allow for a flattish first quarter, that implies a mild acceleration during the year to perhaps an annual rate of 2.5 to 2.75 per cent.

If the sharp increase in bond yields is sustained, or if long rates were to move towards 7 per cent, this forecast could prove too optimistic. Indeed some economists argue that the plunge in share and bond prices has raised the risk of recession later this year. But the best bet remains modest growth and stable inflation.

This is reassuring news for Mr Clinton. There is a simple economic law governing general elections. Incumbent presidents tend to win a second term provided they can count on the benefits of a solid business expansion. Presidents Carter and Bush could not, and they were turfed out despite the formidable advantages of incumbency. Presidents Johnson, Nixon and Reagan could, and they swept triumphantly back into office. Although a business downturn is still conceivable later this year, the US economy now seems to be rooting for Mr Clinton.

US employment



Source: Datastream

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Lack of cash for quality franchises

From Mr R.I. Riding.

Sir, Richard Gourlay in "A fraught relationship" (March 7) reports that there are not enough people interested in buying a franchise. However, the situation is not that people have lost interest in buying, or that franchising has in some way fallen out of favour.

More people than ever are aware that there is far less risk in going into business under the umbrella of a franchiser than in starting up alone. However, There are two forces at work. First, fewer people have capital tied up in the equity of their homes which can be released by remortgaging to finance the purchase of a franchise. Second is the question of the quality of affordable franchises.

The two are inseparably linked. With the market short on capital, franchisers offering the more substantial and, therefore, more attractive propositions at around £50,000 to £100,000 are finding it difficult to make headway, and companies which might have turned to franchising as franchisers have got the message and are keeping out of the market.

This has caused franchising to move down market with a surfeit of low-cost franchises at prices to suit today's conditions. But the problem is that prospective franchisees are finding them less attractive and they are less inclined to buy. Hence, the shortage of buyers.

Regrettably, we may now have to wait until the return of something approaching the situation when franchisees had ample equity in their homes to support a purchase before people will again be able to afford the franchise of their choice.

R.I. Riding,
editor, Franchise World,
37 Nottingham Road,
London SW17 7EA, UK

The economist's role in fantasy and 'momentary fluctuations of affairs'

From Mr D.F. Eccles.

Sir, Barry Riley ("Vote now, we'll bill you later", March 2/3), referring to the recent rise in bond yields, writes: "It is typical fantasy of politicians at Westminster to believe that juggling with monetary policy can transform the economy."

But they learnt this fantasy from economists: from the likes of Keynes and his disciples in the 1930s, who provided academic justification to what, after the war, became known as the "cheap money policy". Anybody who bought gilts at that time, when the former economist Dr Dalton was chancellor, now sees the nominal value of his investment less than half of what it was then, and in real terms was wiped out years ago.

Barry Riley writes: "The politicians are taking on obligations that they or their successor may not, in the long run, be able to honour." To which one is bound to reply "So what else is new?".

Adam Smith, more than 200 years ago, spoke of "That insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs". If he were writing today he might well be adding "in accordance with advice from the country's leading economists".

I believe that during the American depression of the early 1930s somebody said "If all the economists in Washington were laid end to end. . .the best thing we could do would be to leave them like that".

D.F Eccles,
Urbanizacion Trayamar,
Conjunt Villa del Mar 46,
Apartado de Correos 4,
Torre del Mar,
Malaga, Spain

UK government abandoned oil rights

From Dr Ian Rutledge and Dr Phillip Wright.

Sir, We note that Wood Mackenzie ("North Sea oil output expected to rise by 5 per cent to record", March 4) considers one of the factors contributing to the UK's record oil output is "an attractive and stable fiscal regime". Attractive indeed, since for fields given development permission after 1993, the absence of any royalty or taxation other than corporation tax means that the oil companies pay absolutely nothing for the oil other than a virtually token licence fee.

The Petroleum (Production) Act of 1934 and UK Continental Shelf Act of 1964, effectively established that the British people have collective property rights in onshore and offshore oil resources. This was originally reflected in the charging of royalty and petroleum revenue taxes for the use of these resources. Abolition of these charges in 1983 and 1993, respectively, has meant the government, in every material sense, abandoned these property rights.

Whether this is a "stable" taxation regime, we shall have to see. However the recent report by Petroconsultants (Annual Review of Petroleum Fiscal Regimes 1995) clearly thought otherwise. They apparently took the view that no sensible government would actually continue to give its natural resources away.

Ian Rutledge,
Phillip Wright,
energy studies programme,
University of Sheffield,
11 Abercrombie Street,
Chesterfield S41 7LW, UK

Antipersonnel mines: the buck stops nowhere

From Mr Tony Cunningham MEP.

Sir, I wholeheartedly agree with Hugh Dickinson's article "Truth of the matter" (March 2/3) lamenting the new levels of irresponsibility reached by the UK government over arms sales to Iraq. I am currently deeply involved in the international campaign to ban antipersonnel landmines, murderous weapons which kill or maim someone, somewhere in the world every 15 seconds. As one would expect, there is worldwide condemnation of their production, trade and use. I wrote a resolution which was passed in the European parliament almost unanimously last June calling for an outright ban on APMs and destruction of stockpiles.

But, as in the arms-to-Iraq affair, it is impossible to find anyone to admit responsibility for APMs. The buck stops nowhere, it just keeps going round and round. Aware of public outrage at these murderous weapons, yet determined not to upset their domestic arms traders, the UK government only defines antipersonnel mines as something the UK does not produce, although it produces (and exports) other devices (landmines by any other name) also capable of blowing legs off little boys. Frankly, it will be no consolation to a little boy who has just had his leg blown off that the UK government deemed that it was a device not an antipersonnel mine.

Tony Cunningham,
Labour spokesman on development issues,
European Parliament,
97 rue Belliard,
1049 Brussels, Belgium

Personal View · Geoffrey Howe

No longer part of the convoy

This week's white paper may offer the UK its last chance of averting isolation in Europe

Ashley Ashwood

Lord Howe: Britain the slowest ship and all but at anchor

The UK government will this week publish a white paper setting out its views on the European Union's intergovernmental conference (IGC) which begins in Turin later this month. The first comprehensive statement of UK policy towards Europe for over 18 months, it comes exactly five years after John Major said in Bonn that he wanted Britain to be "where we belong – at the very heart of Europe, working with our partners in building the future". Every one of his predecessors, from Harold Macmillan to Margaret Thatcher, had proclaimed the same objective at one time or another – though none quite so eloquently.

Things look rather different today. In a Europe that is much less starry-eyed than five years ago, Britain's approach to the conference has been hedged in by a series of negative commitments. They include objection in principle to any increase in qualified majority voting in the Council of Ministers, opposition to enhanced powers for the European Parliament, resistance to strengthening the role of Brussels in the intergovernmental pillars for foreign policy and home affairs, and rejection of any merger of the EU and the Western European Union in defence. Britain has, in short, turned down every one of the key reform proposals of the German government – and remains outside the social chapter and aloof from monetary union.

There has been a handful of slightly more positive proposals – for example, strengthening subsidiarity by devolving more to member states, and increasing openness in EU decision-making. But these have done little to offset the overall impression of Britain not just as the slowest ship in the convoy but as one that is all but at anchor.

Reinforcing these detailed positions has been an all-too-often strident rhetoric of national independence and opposition to closer integration per se. The argument in favour of maximising Britain's influence by common action with friends is rarely put. The positive reality of sovereignty-sharing in Europe is never proclaimed, seldom even admitted.

This approach has been anything but cost free. At the most basic, it has engendered the view in European capitals that it will be difficult, if not impossible, to do serious business with the UK this side of the general election. More important, the absolutism of the UK position has clouded and weakened the legitimacy of many of the claims London is making.

Most serious, the continental agenda has been moving on to find ways of outmanoeuvring Britain. The Germans, in particular, have concluded that agreement among all 15 states to deepen the EU will be extremely difficult. Bonn is now thinking explicitly in terms of creating a two-speed Europe, with those unwilling or unable to go further and faster excluded from the top table.

It has already secured the agreement of Paris to this approach, first unveiled in the small print of a Kohl-Chirac communiqué before Christmas. At Baden-Baden in December, the French and German leaders agreed that the treaties should be amended to include "a clause of general character, allowing states which are able and willing to develop among themselves reinforced co-operation" within the Union.

This initiative is a radical departure from the previous orthodoxy of resisting opt-outs for both countries – as it is for the Commission which backed it two weeks ago (as Ian Davidson argued on these pages last week). To compound this, the French negotiating position on the intergovernmental conference, leaked to the press, reveals that Paris wants conventions in the home affairs pillar of the Union to come into effect even if signed by fewer than 15 states. The current UK veto on the European Court of Justice adjudicating in home affairs, for example, would thus be evaded.

Equally, the French and German foreign ministers agreed two weeks ago to recommend that in foreign policy "constructive abstention" should largely replace the veto. Countries opposing an initiative could simply not be bound by it. Whatever the merits of such an approach – I believe the big five EU states should retain the veto in foreign policy, in return for only the smaller states being exempted from an obligation to follow joint policy – it does mark an important new development.

The *leitmotif* of the 1996 conference looks unlikely to be the conversion of the EU into a federal European state, as Bonn originally wanted and London so feared. Rather it will focus on developing a made-to-measure core Europe for a few ambitious states moving forward on their terms.

The British government thus risks finding itself hoisted on its own petard. A "multi-speed, multi-track, multi-layered" Europe was, after all, John Major's European vision. The UK can hardly object if others pick up the idea and run with it as their own. Nor can London realistically insist that us[e] of any "further and faste[r] clause" should require a safet[y] catch of unanimity among th[e] 15 every time it is used.

Britain has succeeded i[n] Europe in the past by goin[g] just fast enough for others n[ot] to change the rules of th[e] game. At the intergovernmen[tal] conferences which led t[o] the Single European Act an[d] the Maastricht treaty, the U[K] took care to avoid boxing itse[lf] into a non-negotiable positio[n]. Even now it should be possib[le] to re-establish that pragmat[ic] approach. The more positiv[e] note struck by Malcolm Ri[f]kind, the foreign secretary, i[n] last week's Paris speech migh[t] just signal a welcome recogn[i]tion of the need to do so.

To say that core areas mu[st] remain subject to unanimou[s] decision-making need n[ot] mean there can be no increa[se] in majority voting as a matt[er] of principle. Likewise, buildin[g] a more open and democrat[ic] Union will involve finding rea[l] new powers for national parli[a]ments – in co-operation wit[h] the European Parliament rather than pretending th[e] existing institutions need litt[le] change. France is not the on[ly] country that could be ready [to] back compromise along the[se] lines, particularly if couple[d] with a more dominant foreig[n] policy role for the larger state[s].

Multi-speed Europe wa[s] meant to lead to a variegate[d] pattern of intergovernment[al] co-operation, involving diffe[r]ent states in different way[s]. The risk always was that [it] would offer a route ma[inly] towards a closer union of [a] small group of states. Th[e] building blocks are being p[ut] in place for just such an inne[r] core Europe, from whic[h] Britain will be invited [to] exclude itself. The isolatio[n] which the UK has avoided f[or] so long could thus become th[e] general pattern of its Europe[an] relations.

Such a development migh[t] be hailed by some as a trium[ph] for British diplomacy. In fac[t] it would be a national defeat [of] significant proportions. Th[is] week's white paper offers pe[r]haps the last chance of aver[t]ing that risk. The British go[v]ernment must recognise th[e] importance of this opportuni[ty] before it is too late.

Lord Howe was UK chancell[or] 1979-83, foreign secreta[ry] 1983-89, and deputy prime minister 1989-90

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday March 11 1996

Euro-bids and mergers

Mergers and acquisitions are widely regarded as an Anglo-Saxon habit. Last week's announcement that the Swiss pharmaceutical groups Sandoz and Ciba were to merge serves as a reminder that it is chiefly the volume and hostility of what happens in the English-speaking markets for corporate control that makes them different. Ciba itself was, after all, the product of a merger. The interesting question is whether continental Europe is about to see a much enhanced degree of merger activity.

Such a development would be in the interests of the economies concerned. Admittedly there is evidence to suggest that surprisingly few mergers and acquisitions in Britain and the US have added value. Yet the supporting data come from a period in which ill-conceived conglomerate activity was rife and British companies in particular thought that it would be easier to confront international competition by amalgamating with other – usually not very strong – domestic companies.

In contrast, the striking feature of the current increasingly frenetic wave of mergers and acquisitions is how many of them are driven by sound business logic. In a disinflationary world, they provide a means of increasing profits through cost-cutting, when consumer resistance in product markets makes it harder to generate increased revenue. That certainly provides part of the logic of the Ciba-Sandoz merger, as it did with the earlier bid by Glaxo for Wellcome. The recent activity among utilities, where pricing is constrained by regulation, has been similarly inspired. Takeovers are also an effective way of dealing with overcapacity in mature industries undergoing deregulation – witness the rationalisation of US commercial banking through bids and deals.

It follows that the capital markets were not necessarily going over the top in putting an additional value on Sandoz and Ciba equivalent to nearly £10bn following the merger announcement. With a commitment to nearly £1bn of cost cuts, the enlarged group will clearly be more profitable. There is some academic evidence that domestic mergers between companies of broadly comparable size work better than more disparate ones. Since the merger will be effected by a pooling of interests, it will involve no damage to the balance sheet resulting from a costly premium for control.

Yet to assume that this logic will prove compelling across the whole of continental Europe would be unwise. Corporate governance in most countries imposes little pressure for such change. Employment protection legislation is often such that redundancies, far from cutting costs, would actually prove prohibitively expensive in home markets. Above all, the concept of shareholder value commands only tentative adherence in continental Europe. There will be takeovers and mergers, but no takeover boom.

Taiwan tension

China's missile tests off Taiwan are dangerous because of the tension they have sparked. They are also crass because they could scarcely be better designed to drive Taiwan's voters into support of formal independence. That is the opposite of what China wants.

The outside world cannot sit idly by, but its reaction must be measured. The tests are far too close to Taiwan. But they are in international waters. There has been no accident involving damage or loss of life. To encourage Taiwan in its drive for international recognition would inflame an already volatile situation.

Yet to leave Taiwan to China's mercy just when it has completed the process of democratisation would be a shocking signal of indifference. The danger lies with escalation. Beijing must be left in no doubt that the consequences would be grave. In the event of an attack, Taiwan would receive the West's strong support.

There would be no need for direct Western military intervention. But the US and its allies should show support now by accelerating the delivery of defensive equipment. China should understand that even escalation short of an attack such as a blockade would bring economic and diplomatic isolation.

Western diplomacy should also aim at persuading the two sides to talk. China will never win Taiwan over to unification if it remains unfriendly. A democracy with a per capita average income of $12,000 will not fall willingly into the arms of a dictatorship with a per capita average income of $500. Beijing has to recognise that to achieve unification in the long term, the starting point must be better relations now.

For that, China will have to deal with Mr Lee Teng-hui whose presidential mandate is likely to be confirmed in the looming election. Mr Lee is formally in favour of eventual unification. He is expected to seek fresh contact with China after the poll. The West should encourage Beijing to respond positively.

The outlines of a deal are discernible. Taiwan might reaffirm its long-term aim of unification and drop its campaign for a seat in the UN. In return China might agree to abandon military pressure, to open direct shipping links and permit representation for Taiwan in some international bodies such as the World Trade Organisation. With a strong popular mandate Mr Lee should be able to sell such a deal at home.

How the ageing Chinese generals who appear to determine policy on Taiwan would react is another matter. Clearly aghast at the prospect of Taiwan's elections being seen by millions of disenfranchised Chinese on satellite television, they seem bent on aggression. They should consider the merits of a conciliatory approach. The world will be more dangerous if they do not.

PFI, not bad?

Mr Michael Jack, minister responsible for the UK government's Private Finance Initiative (PFI), cracked rather a good joke last week, given his subject matter. The PFI, he said, would put an end to the "B-A-D old days", by which he meant the days of Build and Disappear.

He put his finger on one of the virtues of PFI, the government's policy for boosting the private sector's role in public sector investment. The PFI unites responsibility for construction and operation. The provider of infrastructure – be it a road, prison or hospital – is also the provider of the associated service, and therefore bears the risk of ensuring that assets are available on time and that they remain serviceable.

The challenge for the public sector is to weigh the resulting quality and efficiency gains against the higher cost of capital charged by the private sector. It can then decide, case by case, which option offers best value to the taxpayer.

So much for the theory. It is the practice which is highly problematic. Three years after its launch, the PFI is progressing at a snail's pace in most spheres. So far its main impact has been to delay state investment. Only by including the fast rail link to the Channel tunnel does projected investment under the PFI appear respectable. Yet the fast link took more than five years to agree, and is in a class of its own. More telling is the virtual absence of PFI deals in important areas such as defence and local government.

Some of the hold-ups are of a transitional nature. One current problem – doubts over the liability of the state to meet obligations entered into by health service trusts, which are government agents in every respect – is being addressed by emergency legislation this week. This issue has been a thorn in the side of large hospital PFI projects for more than a year. The delay in tackling it is typical of the lackadaisical attitude to the PFI evident across most of Whitehall.

Not all the problems are so easy to resolve. Deciding on the optimal degree of risk transfer from the public to the private sector is a fraught issue. Equally difficult is the task of making fair comparisons between the cost of traditional and PFI procurement. In many areas, notional PFI gains depend on assumptions as to the "inevitable" cost over-run of a traditional public procurement. Yet this begs important questions about the comparator in question.

It is also vital that firm control is maintained over contingent liabilities. Until accrual accounting reaches Whitehall at the end of the decade, the extent of future PFI spending commitments will not be fully apparent. If the PFI were to veer to the opposite extreme from now and become a vehicle for uncontrolled public spending, the bad old days really would be back.

FT Interview · Bob Wright

Tuned to a vision of the future

The NBC president tells **Raymond Snoddy** about his plans for business television and his hopes for the Internet

The battle for the European business television audience intensifies today with the launch of CNBC Europe, a round-the-clock business cable and satellite channel, in the face of tough competition.

The new channel, broadcast from the Astra satellite system, will include six hours a day of European business news provided by FTTV, part of Pearson, publishers of the Financial Times, at least six hours of US business coverage from the American CNBC channel and 14 hours of live coverage from the CNBC channel in Asia launched a year ago.

"That's more than 24 hours, so something will have to get left out," says Mr Bob Wright, president of NBC, the US network that owns CNBC, who has been responsible for overseeing the international expansion of the broadcasting group.

In Europe, CNBC will face very tough competition from European Business News, the 24-hour TV business news service launched by Dow Jones and Flextech, the media group, 13 months ago.

EBN is on the Eutelsat satellite 24 hours a day and an early morning segment is part of the Sky multichannels package. On Friday EBN, which is available on cable networks in the UK, announced that it had obtained access to the cable networks of Hesse and Hamburg, including Frankfurt. There are no detailed viewing statistics so far although EBN is available in 12m homes across Europe.

"It a crowded marketplace out there for news and CNBC is not going to find it particularly easy," Mr Michael Connor, EBN managing director, said yesterday.

The big unknown is how large a potential audience there is; no-one knows at this stage whether there is a market for business TV in Europe. Some answers are expected next month with the results of a pan-European survey of the viewing habits of high earners in Europe.

The launch of the NBC business channel in Europe is the latest move by a company that was in the doldrums four years ago. Although it controlled one of the three main US networks, it was suffering from poor ratings and weak advertising revenues.

General Electric, the diversified engineering group which owns it, was considering selling out. But talks with Walt Disney foundered on price while those with Time Warner collapsed because the US group's film production arm did not want to be limited to distribution through a single one channel.

But with renewed GE backing, NBC has fought its way back to the top of the US television ratings. It has made a successful $2.3bn (£1.5bn) pre-emptive strike to secure the American television rights to all Olympic Games to 2008. And it has created a venture with Microsoft, the computer software group, for a new type of communications network.

NBC's commitment to building up a new television genre – business news – goes back nine years. The CNBC service is available in more than 60m homes in the US through cable and has an audience share of 0.4 per cent during the day and 1.4 per cent in prime time. But it is at the workplace – largely ignored by conventional ratings – that CNBC has scored its greatest success.

"It was the service of choice in the workplace, especially any business that had a financial services component," says Mr Wright. "It has become a fixture on trading floors and especially on the equity side of the business. You cannot find a place where it isn't on."

The NBC president concedes it will be much more difficult to establish the channel in Europe. It would, however, have been foolish, he believes, to concentrate entirely on the US in an age of growing global markets.

"You need to have as good a coverage of the Asian and European markets to keep the service credible," he says.

Business news will also remain on NBC Super Channel, the group's existing satellite channel which carries a mixture of business and entertainment, for the foreseeable future – to give it the widest possible distribution. But Mr Wright says the eventual aim is to turn Super Channel into a general entertainment channel in the NBC mould with regular news updates.

To maintain its premier position in the US market, NBC has the summer and winter Olympics for the next 12 years. Expensive though the commitment was, it gives the network stability and certainty over what Mr Wright describes as "the world's premier sporting entertainment event".

It also offered the International Olympic Committee stability of financing and access to maximum audiences in a growing age of pay television. "What they wanted desperately is to have the bulk of the Olympic Games available for free and available to everybody. We gave them a way to guarantee that," says Mr Wright.

The link with Microsoft is an attempt to establish whether there is a market for new forms of television on the Internet. It grew out of Microsoft distributing 15 CD-Roms every year based on NBC programmes about subjects such as financial planning for retirement. The computer company wanted to licence NBC news material so that subscribers to the Microsoft Network service could get access to it through the Internet.

Instead, the two organisations came up with the idea of a joint venture involving two closely linked channels, one on cable and the other on the Internet. Microsoft agreed to invest $220m for a 50 per cent stake in NBC's existing cable channel, America's Talking – a topical television version of talk radio.

"We agreed to take that service, reconfigure it and make it as interactively friendly as any television channel can be," says Mr Wright.

Throughout the service there will be regular alerts to draw viewers' attention to stories that will be dealt with in depth on Microsoft Network. Those who log on will get details of the main features running on the cable channel.

The slowness of the Internet means that there will only be still pictures at first, but the two companies have ambitious plans once high speed modems are available and cable systems upgraded.

"We will transmit full motion video on the interactive service," says Mr Wright.

At the moment NBC is looking for a new site near New York for the staff on the two complementary channels which will be launched to coincide with the Atlanta Olympics in July. He wants the building to accommodate the staff of both channels on a single floor. The hope is that information can flow from one channel to the other, improving the quality of Microsoft Network and with it the standard of what is available on the Internet.

In countries such as the UK, Mr Wright believes that fast access to the Internet may be what finally helps cable establish itself. He used to run cable television networks in Denmark, and feels that without such added benefits for the consumer, the future of cable in the UK is still an open question despite the increasing flow of revenues from telecommunications.

"If I was a banker asked to lend £100m to a cable operator, I would want to know how I was going to get my money back given the fact that there is so much satellite work going on," the NBC president says. He points out that only 21 per cent of those who can subscribe to cable networks actually do.

Mr Wright believes that the Microsoft Network, despite beginning mainly with graphics and data will eventually turn out to be an important venture. His hunch is that people will want to watch moving pictures on their PCs – every time NBC has introduced moving pictures to its professional screen-based services in the markets they have been welcomed.

Whether or not his hunch on moving pictures on PCs turns out to be correct, he is convinced that a company such as NBC cannot afford to base its business entirely on one channel, however successful. NBC is now involved in a total of 18 cable and satellite services.

Proposals to move the existing US networks to digital transmission will free frequencies for other uses but clearly brings dangers for broadcasters such as NBC which have traditionally carried a broad range of programmes on a single network channel.

But as CNBC launches in Europe, the business news about NBC is bright.

"We have a premier position in the business both from an economic standpoint and a viewer standpoint. But it's a fragile position. It's ours to hold that position or lose it," Mr Wright insists.

· OBSERVER ·

Budgeting for results

■ When bankers visit the world's finance ministers in search of business they face a problem. What sort of memento can they leave behind which will make sure they are remembered with affection?

Some like to leave paperweights advertising their bank's tombstones. Others prefer pennants, plaques or something silver such as a small case for visiting cards. However, from Canada comes news of a present which any finance minister worth his salt would die for – a "perception analyser".

Just ask Canada's Paul Martin, who put a bunch of these gizmos to work use during his budget speech in Ottawa last week. As he was speaking in the House of Commons, Earnscliffe Strategy, a local lobbying and polling outfit, tracked the response of English and French-speaking focus groups in Toronto and Montreal.

Each participant had a "perception analyser" – basically, a dial calibrated with numbers from 1 to 100, linked to a central computer. When Martin made a point that the focus group approved of, they recorded a score above 50 – how far above depending on how much they approved. Hints of wasteful spending or cuts to favoured government programmes scored between zero and 50. By the time the minister sat down, the responses had been analysed and Martin had time to adjust his message before the string of media interviews that typically follow a budget speech.

The idea was to ensure that people "understand exactly what we're telling them", explained a Canadian finance official. Whether or not you believe that, the "perception analyser" seems to deliver results. The budget raised barely a murmur of protest.

Bottleneck

■ Every country suffers from bottlenecks. But Russia suffers more than most, judging by an item in Focus, a German weekly.

It reports that 900,000 bottles of Russian vodka found their way into Germany in the first 10 months of last year. By contrast German distillers exported 19m bottles of vodka to Russia. Burkhard Baecker, chief executive of Berlin's Schilkin distillery, thinks he knows the reason. The Russians are short of bottles.

Bear baiting

■ Hope that tiny Estonia knows when to stop baiting the Russian bear. Last year, when Russian troops invaded Chechnya, Estonia's parliament loudly condemned the move. Then last week, the country sent condolences to rebel Chechen leader Dzokhar Dudayev following the death of guerrilla commander Salman Raduyev who had led a hostage taking mission in a Russian town. "The terrible murder of this outstanding fighter shocked us deeply," said the Estonians.

The connection goes back a few years. Dudayev led a nuclear bomber squadron in Estonia. He married an Estonian. And he claims Estonia's successful fight for independence from Moscow inspired his own. Russians still make up a third of Estonia's 1.5m population, but you would not know it from the Estonian's less than welcoming attitude. No wonder then that the mere mention of the name Estonia gets Russian blood boiling.

Russia's foreign ministry has blasted Estonia's resolution. Should Gennady Zyuganov or any other hardliner candidate come to power, Estonia might come to regret its righteous impertinence.

The K factor

■ Deutsche Morgan Grenfell and Morgan Stanley are running neck and neck in the race to launch Wall Street's first country-specific index fund.

DMG thought up the idea first, and filed an application with the US Securities and Exchange Commission two years ago. But Morgan Stanley quickly followed suit and both teams jumped the regulatory hurdle at the same time. Last Thursday DMG edged ahead by being the first to brief journalists. However, Morgan Stanley still has a chance to come away with first prize. It has cocked a snook at its German competitor by hiring German-born Henry Kissinger to be the keynote speaker at hotel.

Clearly, Morgan Stanley has a lot of money riding on Kissinger's ability to win the race to attract the most money. Hope he does not pull up before the final hurdle – explaining the intricacies of exchange-traded indexed funds.

Viewing fare

■ Taxi meters around the world are not always reliable, but those in Algeria have recently proved so popular that they are being stolen, to the cabbies' annoyance. The reason: thrifty Algerians have discovered that, if attached to television sets, the electronic meters will unscramble the popular French pay TV channel, Canal Plus.

There is a downside: a taxi fare appears on the screen along with the pirated picture. Presumably viewers don't mind a running reminder of how much money they are saving, and the meterless cabbies can always go back to the traditional way of calculating a fare – thinking of a number and doubling it.

The Financial Times

100 years ago

Wealth in Australia

If they are not rich in the Antipodes, they certainly ought to be, for according to Mr Howard Haywood, the value of the gold discovered in Australia up to the end of 1894 was £317,337,289 – a total that must have been considerably added to last year. In addition to this enormous output of the yellow metal, the Colonies are blessed in the possession of the "Golden fleece": for, according to the same authority, wool to the value of 17¼ millions sterling was obtained in 1894 from the 92 millions of sheep in the country. And yet the Australians are not happy.

50 years ago

Shortage of nitrogen

It is a far cry from the International Nitrogen Cartel of the years between the wars, a cartel formed because of excessive world capacity. Yet the shortage of nitrogen has come. It is one of the reasons, too, for the food scarcity, since, apart from the weather, the poor European crops are the result of the lack of fertilisers. That lack will be felt during the current year's crops. Coal shortage is a factor limiting nitrogen production in some countries. In Italy, for example, hydro-electric power, which was formerly used for nitrogen production, has had to be diverted to other purposes.

FINANCIAL TIMES
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New exercises will affect flights and shipping

US warns China against war games near Taiwan

By Laura Tyson in Taipei and Tony Walker in Beijing

The US yesterday began moving an aircraft carrier taskforce closer to Taiwan as Washington warned China against further "risky" acts against the island.

"There will be really grave consequences if they try to resolve that problem by force," said Mr Warren Christopher, US secretary of state, referring to China's persistence in threatening Taiwan. "The actions they have taken smack of intimidation and coercion." He also said the carrier USS Independence would "be moved somewhat closer in ... closer to Taiwan."

China, which began missile tests near Taiwan on Friday, announced at the weekend that it would stage additional and more extensive war games from tomorrow in the 220km Taiwan strait.

China's latest exercises will cause diversions in important flights and shipping routes.

The naval and air exercises – using live ammunition – are to be conducted in the South and East China seas between March 12 and March 20. The area appeared to cover the southern entrance of the Taiwan strait.

Taiwan aviation authorities will divert a principal international flight path to prevent a potential accident. Taiwan said yesterday that more than 300 flights each day will have to alter their routes because of the planned exercises and that flights to Hong Kong, Japan, Korea, south-east Asia and the US would be affected.

The measure was taken at the request of Hong Kong as a safety precaution, Taiwan's Civil Aeronautics Administration said.

Ships plying routes between Hong Kong and Shanghai will also be forced to divert from their normal path to avoid the exercise area. "If any consequences arise during the exercises, it will be the responsibility of communist China," the administration said.

The exercises will be held in an area covering 17,000 sq km off the south-east Chinese coastal provinces of Fujian and Guangdong. They will overlap with Chinese missile tests begun on March 8 near Taiwan's two largest ports, Keelung and Kaohsiung.

The missile tests are to end on March 15. Held in international waters, they are seen as a message that China has the capability to blockade Taiwan's two main ports, which handle 70 per cent of the island's trade.

The Taipei government yesterday remained adamant that the latest war games would not derail the island's first direct presidential election on March 23.

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Hamas to resume bombing campaign in Israel

By Julian Ozanne in Jerusalem

The extremist Hamas Islamic movement, responsible for a wave of suicide bombings in Israel, said at the weekend it was withdrawing its offer of a ceasefire and would resume attacks.

Its warning came as world leaders prepared for an international summit in Egypt on Wednesday, to be chaired by US president Bill Clinton and Egyptian President Hosni Mubarak, to shore up international support for peace in the Middle East.

Several Middle East governments and radical Islamic groups condemned the "Summit of the Peacemakers" as a cover for silencing resistance to Israeli occupation. In Israel, rightwing opposition Likud party officials accused the summit of trying to bolster the waning electoral prospects of Mr Shimon Peres, Israel's prime minister, who has called early elections on May 29 on a platform of making peace with Arabs.

Syria refused to say whether it would attend the summit but said a better way to tackle the crisis would be to reconvene the Arab-Israeli conference. This launched the Middle East peace process, but it went into recess shortly after it opened in Madrid in October 1991.

Mr Mohsen Dahloul, Lebanon's defence minister, said the summit was doomed to failure as it only aimed to please Israel.

Iran, which has not been invited to the meeting, said it supported the actions of Palestinians. Libya said Israeli "Zionists" and Americans were the greatest terrorist force.

In a leaflet, Hamas's Qassam military wing said it was cancelling an offer of a four-month ceasefire because of raids and arrests by security forces controlled by Mr Yassir Arafat, the Palestinian president.

The move defied calls by Hamas political leaders for an end to bombing attacks and efforts by Mr Arafat to invoke Islam against violence. The New York Times newspaper reported that Mr Mousa Abu Marzouk, head of the Hamas political bureau, who is being held by US authorities, said Hamas wanted to end the violence which has claimed 58 lives, but that the bureau had only limited control over the military wing.

Palestinian forces, who continued their crackdown at the weekend, said they had arrested three leaders of the Qassam units, including the second most wanted activist after Mr Mohamed Dief, the Qassam leader who has evaded capture.

Mr Arafat welcomed the summit but complained that Israel's blockade was strangling Palestinians. Israel yesterday said it would grant work permits to another 16,500 migrant workers to replace Palestinians from the West Bank and Gaza Strip.

THE LEX COLUMN

Wall Street blues

European stock markets cannot be immune from Friday's bloodbath on Wall Street. But the fallout in Europe, including Britain, should be less extreme. For one thing, the sharp divergence between bond and equity markets in the US has not been followed to anything like the same extent in Europe. Also, the outlook for most European economies remains bleak: by contrast with the US, further interest rate cuts are likely.

But this logic applies less in the UK. Given the British government's apparent abandonment of its safety-first approach to inflation, the bond market is bound to remain nervous. And valuations in the stock market, by comparison with bonds, already look stretched: the 10 year gilt yield is more than 2.2 times that on equities. British markets, in short, look less protected from Wall Street than most.

Pharmaceuticals

When Ciba and Sandoz announced that their merger would produce annual savings of \$1.5bn – \$1.1bn after tax – investors added \$15bn to their combined market capitalisation, effectively applying a multiple of 13. Are these figures justified?

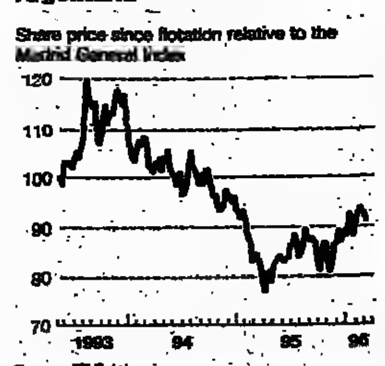
The problem is that costs may be permanently lower to the tune of at least \$1.5bn a year, but it does not follow that profits will be permanently higher by the same amount. In the short run, the new company will no doubt be able to pocket the savings. But the prospect of super-normal profits is likely to accelerate mergers among rivals – cutting costs throughout the industry. In any normal market, the consequent savings would be competed away as companies cut prices. That will not happen as quickly in pharmaceuticals, because of the cushion of patent protection. But it is hard to believe in a golden scenario where drug companies generate fat profits for ever. Powerful managed-care buyers are already adept at playing suppliers off against each other wherever alternative drugs are available. And if the industry appeared to make excessive profits, governments would impose pricecuts.

None of this means companies should avoid mergers. A large, albeit temporary, improvement in profits is well worth having. But applying a multiple of 13 to such profits looks generous. Growth stemming from innovation is worth much more.

Argentaria

Argentaria

Share price since flotation relative to the Madrid General Index



Source: FT Extel

Although banks are not the easiest privatisation candidates, the latest Argentaria offering has plenty to tempt investors. Argentaria has disappointed in the past, but earnings now look set to grow steadily. And the shares look cheap: at around 8¼ times 1996 earnings, they are trading at a discount to the sector average, and only a slim premium to book value. Yet Argentaria's 13 per cent return on equity is healthy by European standards, and close to that of other Spanish banks.

But timing the offering to coincide with Spanish elections was still a gamble. However Spain's new government stacks up, it is unlikely to veer far from the economic programme of the ousted Socialists. But there is always the danger that a minority government could choose to allow inflation and interest rates to creep up – bad news for banks.

Political uncertainty is bound to deter some investors, particularly in the US. But recent market weakness – likely to be compounded by Friday's fallout on Wall Street – means investors which can cope with the uncertainty will be getting an even cheaper deal. Still, the risk taken by the sellers is hard to justify: at best, sale proceeds will be depressed; at worst, the reputation of Spain's privatisation programme as one of the best managed in continental Europe could be jeopardised.

South Africa

Johannesburg's stock exchange, which began screen trading on Friday, is fast opening up to the world. For the foreign investors South Africa badly needs, Johannesburg's Big Bang is good news. But it will still not solve the exchange's biggest problem: its chronic illiquidity.

Allowing brokers to trade on their own account should help a little. But the root of the problem remains: too many shares are locked up in big, rarely-traded holdings. Nearly 80 per cent of shares are controlled by just five groups. The result is a highly inbred corporate culture. Hostile bids are virtually unknown.

Conventional wisdom suggests this will unravel as exchange controls are lifted, allowing companies to dump unexciting stakes and invest the proceeds abroad. Maybe. But the controls are likely to be lifted only slowly. And even once they are gone, selling big stakes in an illiquid market will not be easy; it will be much simpler, for example, for South Africa's large insurers to invest their healthy annual cash inflows abroad than to liquidate their existing holdings. More fundamentally, even underperforming holdings represent power and influence which South African companies will not give up lightly.

In the long run, there is no reason why Johannesburg's stock exchange should not be as liquid as any other. But the process could easily take a decade or more.

Cable and Wireless

It would be unwise to read too much into Cable and Wireless's spurning of British Telecommunication's approaches. Until a new C&W chief executive is in post, all bets over the company's strategy are off. And the fact is that C&W has a number of strategic options, of which the *status quo* is probably the least attractive.

Joining up with another big player such as BT would certainly create a group better placed to exploit economies of scale and gain global reach in a rapidly liberalising international market. Equally, C&W could break itself up, creating a number of units which in turn could be snapped up by bigger telecoms groups.

Nor is BT the only potential bidder; C&W may simply be playing hard to get. This would make sense. Given the powerful logic driving international mergers in the telecoms business, C&W – with its unique spread of international assets – has every reason to try to attract other bidders, such as AT&T. With formidable obstacles to a hostile bid for the group, this is a game in which C&W has a strong negotiating hand.

The fact that the new chief executive will need to rethink the company's strategy from scratch is, though, a problem as well as an opportunity. It may not be easy to recruit someone of the right calibre if their first job is to choose between dismembering the company and finding someone to gobble it up.

Market fears

Continued from Page 1

the market's fall as an opportunity to buy. They have been pouring record amounts of money into the stock market.

Mr Eric Miller, chief investment officer at Donaldson Lufkin & Jenrette, said: "The key to this week will be if the bond market regains its footing."

Many in the bond market thought that the yield on the long bond could rise as high as 7 per cent in coming weeks. If that happened, Mr Miller said, the stock market would be overvalued at current levels.

Analysts expect European stocks to be marked down in today's opening session.

"Stocks will suffer a bit of a bloodbath at the opening. There will an element of catch-up," said Mr David Brown, chief European economist at Bear Stearns. "Most people are going to go into the week very defensive and very cautious. This is not a week to be a hero."

Commerzbank

Continued from Page 1

every year to cover unexpected tax liabilities and said such reserves would "be more than enough" to cover any extra demands which might emerge from the negotiations with the tax inspectors. In 1994 the bank set aside DM585m to cover the possibility of additional tax liability.

The bank also said it occasionally had to increase the size of its original tax bill following discussions with the tax inspectors, and sometimes it had money returned, a process in which the sums had balanced each other out in recent years.

UK diesel engines group targets world luxury car market

By John Griffiths

Perkins, the UK-based diesel engines manufacturer, is seeking to supply the world executive and luxury car market.

The group, owned by the Varity Corporation of the US, is working on a collaborative project under which it plans to bring together several car manufacturers as customers for 2.5 litre-plus, high-performance diesel engines.

Mr Mike Baunton, Perkins' chief executive, said the UK company was able to design, develop and manufacture these engines profitably at volumes as low as 45,000 to 50,000 units a year.

This is well below the volumes at which a large carmaker on its own would regard such a complex project as viable. But by sharing an engine – which would carry each carmaker's brand name rather than Perkins' – carmakers would be able to offer diesel versions of their most prestigious cars even if they were selling only around 10,000 such vehicles a year.

Plans to seek such business have little precedent in the 2.5 litre-plus executive and luxury car sector. They coincide with a decision to change the name of the UK group to reflect more closely its association with its US parent.

Perkins' employees, most of whom are based at the company's main manufacturing facilities at Peterborough, central England, have been told that from today the group will become Varity Perkins.

Perkins is already one of the world's biggest independent diesel engine manufacturers, producing 250,000 engines a year for products ranging from lawn mowers to 2,500-plus horsepower industrial generators. A further 50,000 Perkins engines are produced around the world under licence.

Perkins is relatively little-known for involvement with mainstream car engine development and manufacturing. The main car engine project with which it has been publicly identified is the Prima diesel used by Rover Group in its former Montego and Maestro models.

Behind the scenes, however, it is much more closely involved on a collaborative basis, but under confidentiality clauses. Embarrassingly for Perkins, its collaboration on engine development with Renault accidently became public last year when one of Renault's Safrane executive cars fitted with a prototype engine was stolen with its trailer in the UK.

Mr Baunton said Perkins was aiming to lift total production to 400,000 units a year over the next few years, mainly through niche engine projects, such as the executive car diesel engine.

However, he stressed that Perkins had no desire to seek high-volume production contracts for a single engine type from individual carmakers.

"At 100,000 units a year, you would become much too dependent on a single customer. And the future of such business would be uncertain because the carmaker is likely then to consider the volume sufficient to produce the engine himself."

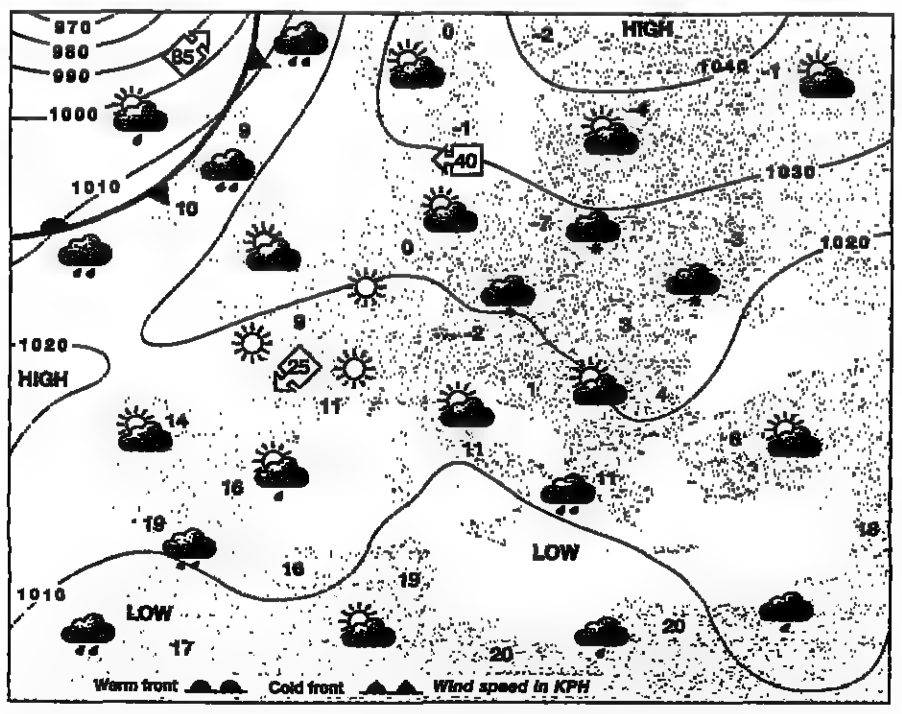
FT WEATHER GUIDE

Europe today

A frontal system will bring cloud and rain to Ireland and Scotland, but England will remain dry with widespread sunshine in the south-east. The Benelux, France and Portugal will be mainy sunny and Spain will have a mixture of sunshine and cloud, with showers on the east coast. Central and southern Italy will have widespread rain which will move slowly east, reaching Greece in the afternoon. The Black Sea region will be unsettled, with some sleet or snow in northern and western sections. Poland will be wintry, with overcast skies and some snow, while Scandinavia will have sunny spells.

Five-day forecast

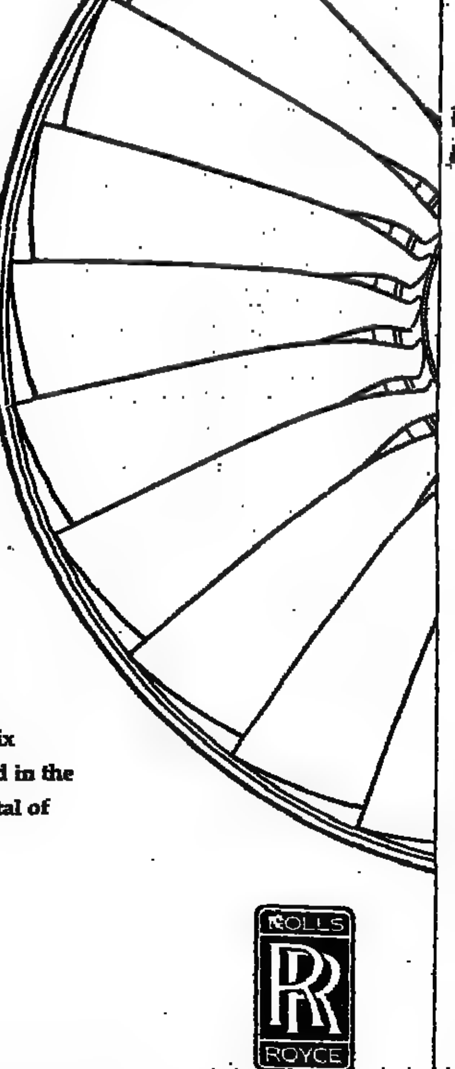
Cold air over Poland will move further west, bringing low temperatures across western Europe, although the region will remain mainly dry and sunny. The Mediterranean area will continue unsettled, although conditions will improve over Italy. Ireland, Wales and Scotland will be wet, becoming dryer later in the week. England will remain mainly dry. The northern Balkans and Poland will be cold with some snow.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	28
Accra	fair	31
Algiers	shower	15
Amsterdam	sun	7
Athens	fair	10
Atlanta	fair	4
B. Aires	fair	30
B.ham	cloudy	9
Bangkok	sun	35
Barcelona	shower	13
Beijing	sun	6
Belfast	rain	8
Belgrade	sun	3
Berlin	sun	3
Bermuda	fair	20
Bogota	cloudy	20
Bombay	sun	33
Brussels	sun	10
Budapest	sun	4
C.hagen	fair	3
Cairo	fair	22
Cape Town	sun	24
Caracas	fair	30
Cardiff	cloudy	9
Casablanca	shower	18
Chicago	sun	-2
Cologne	sun	8
Dakar	fair	24
Dallas	sun	11
Delhi	sun	32
Dubai	sun	30
Dublin	cloudy	8
Dubrovnik	sun	12
Edinburgh	rain	8
Faro	shower	17
Frankfurt	sun	3
Geneva	fair	9
Gibraltar	shower	17
Glasgow	shower	8
Hamburg	sun	5
Helsinki	fair	1
Hong Kong	cloudy	19
Honolulu	fair	27
Istanbul	rain	5
Jakarta	shower	30
Jersey	cloudy	9
Karachi	sun	34
Kuwait	sun	24
L. Angeles	fair	18
Las Palmas	fair	22
Lima	fog	24
Lisbon	rain	16
London	fair	8
Lux.bourg	sun	8
Lyon	fair	12
Madeira	rain	19
Madrid	fair	14
Majorca	shower	15
Malta	shower	17
Manchester	cloudy	9
Manila	fair	32
Melbourne	cloudy	24
Mexico City	fair	24
Miami	fair	20
Milan	fair	9
Montreal	fair	-9
Moscow	fair	-2
Munich	sun	3
Nairobi	fair	29
Naples	fair	14
Nassau	fair	23
New York	fair	5
Nice	shower	12
Nicosia	fair	16
Oslo	sun	2
Paris	fair	7
Perth	fair	31
Prague	sun	0
Rangoon	sun	35
Reykjavik	rain	6
Rio	fair	30
Rome	cloudy	14
S. Frsco	fair	21
Seoul	fair	6
Singapore	fair	31
Stockholm	fair	5
Strasbourg	sun	8
Sydney	shower	22
Tangier	rain	17
Tel Aviv	fair	18
Tokyo	fair	12
Toronto	fair	-7
Vancouver	rain	13
Venice	fair	9
Vienna	sun	0
Warsaw	fair	-4
Washington	fair	3
Wellington	cloudy	19
Winnipeg	sun	-1
Zurich	sun	5



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FINANCIAL TIMES
COMPANIES & MARKETS

Monday March 11 1996

Pechiney to cut annual costs by 8%

By Kenneth Gooding, Mining Correspondent

Pechiney, the French aluminium and packaging group privatised last year, is planning to cut annual costs by at least FFr1.5bn ($297m), or 8 per cent, by 1998 and is expecting to implement substantial workforce reductions.

Mr Jean-Paul Rodier, chief executive, warned unions and works councils that there were bound to be big job losses. He said there could be 2,000 to 3,000 in France, representing 10 to 15 per cent of Pechiney's 19,000-strong workforce there. It employs 37,000 worldwide.

Mr Rodier, who was recruited in 1994 by the French government to run Pechiney and who steered it through to privatisation late last year, said that for years the group had spent more than it had earned and then had been forced to sell assets to reduce its debts.

He said present cash flow was not enough to cover capital expenditure and the demands of Pechiney's subsidiaries which all had plans for investment and expansion. He said the 8 per cent cut in Pechiney's costs (excluding raw materials costs) was the minimum to be expected. At Union Minière, the Belgian metals group where Mr Rodier implemented a similar scheme before he joined Pechiney, costs were cut 20 per cent.

Mr Rodier said there were two main reasons for Pechiney's high level of debt of FFr25bn when he arrived: there was a lack of focus in its operations and a lack of profitability compared with its competitors. While Pechiney was still state-owned Mr Rodier refocused the group, concentrating on aluminium and packaging. It is Europe's biggest aluminium producer and the world's third largest packaging group. Pechiney has also sold several non-core businesses for about FF10bn.

The group strengthened its balance sheet by raising FFr1.8bn of new capital when it was floated in December. Mr Rodier said that some small operations were still to be sold and this might bring in another FFabn.

He also said he "would be surprised if in five years' time" Pechiney still owned 40 per cent of La Carbone Lorraine, a quoted specialist metals company. Pechiney was also willing to sell its 39 per cent holding in the Techpack International packaging company "at the right price".

Mr Rodier had promised institutional shareholders at the time of the flotation that Pechiney would not raise new capital until its profitability was greater and this was reflected in a higher share price.

Some 80 per cent of the restructuring programme, named Challenge, is cost-related because by the end of 1998 Mr Rodier wants most of Pechiney's operations to be in line with the costs of their competitors.

Managers had been given until the end of September to produce plans showing how they intended to match competitors. The plans would then be brought to fruition by the end of 1998.

Mr Rodier stressed the programme was not aimed at simply increasing short-term profit. Pechiney would show a profit for 1995, he said.

Jean-Paul Rodier: steered the group through privatisation

Burger chain's continued growth confounds critics, writes Richard Tomkins

McDonald's makes sceptics eat their words

McDonald's, the world's biggest fast food chain, has sold well over 100bn burgers since Mr Raymond Croc opened his first restaurant in 1955. Surely by now the world has had as many Big Macs as it can take?

Apparently not. This year, McDonald's plans to accelerate its rate of expansion to a record high, adding between 2,500 and 3,200 restaurants to last year's total of 18,380. At this rate, a new McDonald's will be opening somewhere in the world every three hours.

A few years ago, popular wisdom had it that McDonald's profits were in danger of levelling out. The US market was approaching saturation, critics said, and international profits growth would be too slow to keep the momentum going.

Popular wisdom, however, proved wrong. Over the past five years, McDonald's net profits have risen at a compound annual rate of 12 per cent.

Last year, net profits shot up 17 per cent to $1.4bn – the company's biggest percentage profit increase since 1988.

McDonald's share price has soared amid a reappraisal of its prospects. Last year, the shares gained 54 per cent to $45⅛, an extraordinary increase for a company of its size. At the end of last week, in spite of Friday's stock market tumble, the shares were at $50⅞ – a multiple of 22 times forecast earnings for the current year, representing a premium of 40 per cent to the multiple for the Standard & Poor's 500.

The renewal of interest in McDonald's stock reflects what might be called the Coke factor. The opening of markets in eastern Europe, India and China has produced a wave of investor enthusiasm for the global growth prospects of US consumer goods companies with powerful, international brands. Last year Coca-Cola's shares rose 34 per cent, and shares in Philip Morris, maker of Marlboro cigarettes, rose 57 per cent.

In the case of McDonald's, international growth is changing the company's shape. Although McDonald's still has more restaurants in the US than abroad, the overseas side is growing more quickly. Last year, the company reached a turning point when international operating profits exceeded US operating profits for the first time.

International expansion is good for the bottom line at McDonald's because international sales are more profitable than those at home. Competition is much less intense outside the US, which means McDonald's gets more customers through its doors and can charge higher prices.

Another attraction of the international market is its seemingly limitless growth potential. Although McDonald's has opened 7,000 restaurants in 89 countries outside the US – Croatia is the latest – it likes to remind investors that, on any given day, it still serves barely half a per cent of the world's population.

With such a big market to go for, it expects international operating profits to grow at a compound annual rate of about 20 per cent over the next five years. The domestic growth rate is expected to be lower: in the mid-single digits or better, the company says.

But perhaps the biggest surprise about McDonald's is that it expects US profits to grow at all. Competition in its home market comes not just from McDonald's two big rivals in the burger market, Burger King (part of the UK's Grand Metropolitan) and Wendy's International, but from other fast food outlets – notably, PepsiCo's Pizza Hut, Taco Bell and KFC chains – and from every sandwich shop and hot dog stand in the land.

McDonald's has a simple answer to this cut-throat competition: to be so aggressive and competitive that it achieves market dominance. To that end, it plans to put everyone within easy reach of a Big Mac: up to 1,300 of this year's restaurant openings will be in the US.

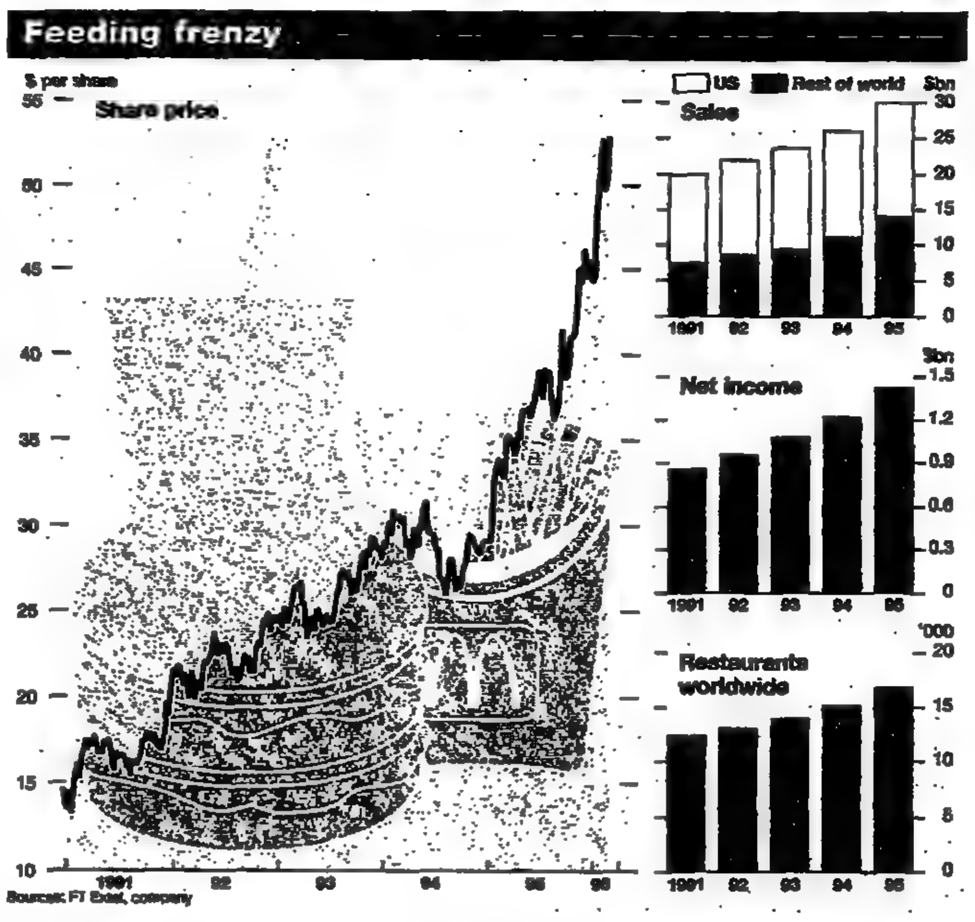
One reason why McDonald's is able to do this is that, since 1990, it has slashed the cost of opening a typical restaurant by 30 per cent through the use of more efficient building designs, standardised equipment packages and global sourcing. This means it can now open restaurants in locations that would have been hopelessly uneconomical five years ago, such as airports, hospitals, schools and military bases.

There is another significant factor, too. In the past, McDonald's used cash flow from the US operations to finance international expansion. Now, the strong financial performance outside the US allows McDonald's to pour more resources into the battle for market share at home.

One problem with US expansion is the risk that new McDonald's restaurants will take sales from existing ones. Some Wall Street analysts worry that this could result in a fight with McDonald's franchisees, who run 85 per cent of the company's US restaurants – although there is no sign of this yet.

Still, there are few quibbles over the strategy. "It's a tough environment," says Mr Allan Hickok, an analyst at Piper Jaffray, the investment management company. "But my feeling is that when the going gets tough, the weak get weaker. In a tough market, a lot of people are going to feel pain before McDonald's does. They are going to be the last ones standing in any circumstance."

Feeding frenzy



Sources: FT Extel, company

INSIDE

C&W/BT

Merger talks between UK telecommunications groups Cable and Wireless and British Telecom have collapsed following a disagreement over value. BT is understood to have approached C&W with merger proposals following the boardroom upheaval late last year which saw the departure of C&W's chairman and chief executive. Page 18

Incentive

Incentive, part of the Wallenberg empire, is set to follow its takeover of Gambro, the Swedish medical technology group, with disposals as it remodels its clutch of industrial holdings. Page 19

Fund Management

Because Orange, the UK mobile phone company, will almost certainly be included in the FT-SE 100, any fund manager committed to matching this index will have to own Orange shares. The problem is that Orange shares will be scarce: only a quarter of the company is being offered to the public. Page 21

City People

Can Sir Terance Conran, the man behind glitzy West End restaurants such as Quaglinos and Mezzo, persuade City of London workers to stay in the Square Mile after dark? When the Great Eastern Hotel reopens in 1998, there will be three Conran eateries to choose from, including a glamorous 300-seater. Page 21

Global Investor

Gerard Baker argues that the real threat to stability continues to lie with the Japanese recovery. For months the barely whispered fear in global markets has been of a re-run of 1994, with the Bank of Japan taking the place of the Federal Reserve as bogeyman. Page 22

Fokker unit removed from court protection

By Ronald van de Krol in Amsterdam and Michael Skapinker in London

One of three subsidiaries of Fokker has been removed from court-approved protection from creditors in an attempt to create a vehicle for reviving the Dutch aircraft maker in slimmed-down form.

The weekend move came as Fokker entered the final week of its struggle to find a saviour.

The Dutch government's bridging credits to the company run out on Friday and Fokker sources say they doubt they will receive a further period of grace.

Fokker said Fokker Aviation – a non-production unit, and one of three granted court protection in January – had been removed from administration. Assets from the two remaining units under protection, Fokker Aircraft, the core aircraft assembly business which generates 90 per cent of group turnover, and Fokker Administration, will be transferred debt-free to Fokker Aviation.

This will potentially create a new corporate nucleus for Fokker, enabling it either to try a solo resurrection or to arrange a sale of its businesses to an Asian candidate.

The company cautioned that the move should not be interpreted as meaning it had made a choice between the possibilities it has been studying. Its options are to try to resurrect itself as a "stand-alone" operation with the aid of Dutch financiers or to have its assets taken over by Samsung of South Korea or Aviation Industries of China (Avic).

Samsung and Avic are expected to decide by the end of this week whether they are interested in doing a deal. Both companies would like to build a 100-seat jet. Fokker's F70 and F100 aircraft, seating 70 and 100 passengers respectively, are highly regarded in the industry. Both companies have made it clear, however, that they expect to assemble such a jet in Asia and may be after no more than Fokker's technology.

If Fokker is forced to try the stand-alone option, it will continue efforts to find a strong industrial partner capable of financing future aircraft design and development. In 1993, a controlling stake in Fokker was sold to Daimler-Benz Aerospace (Dasa) of Germany but the partnership collapsed in January after Dasa withdrew financial support.

Bombardier of Canada, which many saw as the most likely suitor for loss-making Fokker, has said it is no longer interested, although some in European aerospace see this as a ploy to attract sufficient government support.

Bombardier has threatened to walk away from the acquisition of struggling aircraft manufacturers in the past, but has agreed to take them over when offered sufficient financial support by the local government concerned.

This was true of its acquisition of Canadair in 1986 and of Short Brothers of Northern Ireland in 1989. Shorts makes wings for Fokker and is threatened with heavy job losses if the company fails. Aerospace officials believe Bombardier is waiting for a better financial offer from the Dutch government.

One of the difficulties is that the Dutch government did not offer enough money to Dasa to keep Fokker in business. Aerospace executives believe it would be difficult for it to offer more financial support to Bombardier than to Dasa, a European company.

COMPANIES IN THIS ISSUE

Liffe considers contract changes in run-up to Emu

By Samer Iskandar in London

The London International Financial Futures and Options Exchange (Liffe) is considering a modification of its short-term money-market contracts as part of its preparations for European Monetary Union.

A full board meeting of the exchange will this afternoon assess the technical and legal issues arising from the timetable for the move to a single currency, the euro, scheduled to take place in January 1999, and will consider a number of possible changes to two of its leading contracts: the euromark and short sterling futures.

Liffe lists a range of financial futures and options contracts denominated in currencies which may disappear following the introduction of the single currency. But a decision is particularly urgent in the case of these two contracts as the exchange lists 12 future monthly maturities – covering a three-year period in all. New short sterling and euromark contracts due to be listed on Tuesday next week could mature after the scheduled introduction of the euro and officials wish to be rid of any uncertainty.

Short-term money market contracts are used by investors to protect themselves against rises in short-term interest rates, and also for speculative trading. In February, the euromark and short sterling futures, together with related options, accounted for more than a third of total trading volumes at Liffe, Europe's largest futures exchange.

Several options are under consideration:

- The market may list two identical three-month futures contracts, denominated in the euro, but convertible into either Sterling or D-Marks if monetary union is either delayed or abandoned.
- Another possibility would be to add an unprecedented conditional clause to existing short sterling and euromark contracts, stipulating that they will be settled by reference to the future rate at which Sterling and the D-Mark will be exchanged for the euro, if it is introduced according to the current schedule.
- Alternatively Liffe may develop contracts combining these possibilities.

In any event, the exchange will almost certainly have to create a new set of contracts. Mr John Foyle, deputy chief executive of Liffe, insisted the market would give "users the widest choice of products, while ensuring that all possibilities [relating to the different scenarios for Emu] are covered".

The market will consider potential problems. For example, there are worries that by introducing new contracts, liquidity in any single instrument would be depressed. Furthermore, the addition of "conditional clauses" could deter some users.

Liffe executives believe the market's ability to manage the transition to the single currency will be an important factor in maintaining London as the biggest centre for money market operations in Europe.

Matif, the Paris-based financial futures exchange, is facing a similar dilemma on its three-month Pibor future, the equivalent French short-term money market contract. It is assuming that during phase three of Emu, when national currencies are progressively eliminated, the Pibor rate will de facto become a euro three-month rate. Matif is still unclear how this rate will be determined, but says it will follow guidelines, yet to be set by the French Banking Association, covering these issues.

Derivatives, Page 24

Valuation seems to have been the stumbling block in the second set of merger talks

C&W board spurns BT's approaches

By Peggy Hollinger

Merger talks between telecommunications giants Cable and Wireless and British Telecom have collapsed following a disagreement over value.

British Telecom is understood to have approached Cable and Wireless with merger proposals following the boardroom upheaval in November which saw the abrupt departure of its chairman, Lord Young of Graffham, and chief executive, Mr James Ross.

It is at least the second time that BT has unsuccessfully sought to join forces with the cable communications company. The first approach, made in the middle of last year, is understood to have failed due to the complex regulatory problems surrounding any merger.

Neither BT nor C&W would comment on details of the discussions yesterday. C&W would only say that it had received an approach late last year. "After carefully evaluating the proposal, the C&W board rejected it as not being in the best interests of our customers, shareholders and partners," it said. C&W added that the discussions were not expected to resume.

It is understood that C&W's board spent several weeks evaluating proposals from BT before rejecting the approach, made to the non-executive chairman Mr Brian Smith.

The cable company is thought to have felt that BT was attributing too low a value to its businesses, which on Friday's close were valued at about £10bn: BT was more than double at £23bn.

The board is also thought to have felt that the company's many partners worldwide would have objected to elements of the merger proposals. Much of C&W's global business is based on telecom licence agreements and joint ventures with governments.

BT has reportedly been keen for a link with C&W for some time. It is understood to be particularly attracted by C&W's 57.8 per cent stake in Hong Kong Telecom, which is responsible for a significant proportion of C&W's profit.

Meanwhile, C&W is expected to announce a new chief executive within the next three weeks. The group is understood to have a shortlist of seven candidates from within the telecoms industry, five of whom are American. The other two are believed to be from continental Europe.

Mr Smith, who was temporarily recalled to head C&W following the departures of Lord Young and Mr Ross, is now expected to remain in his post for the time being. Under the company's articles of association either the chairman or chief executive must be a British citizen.

FT-SE eligibility is under review

By Norma Cohen

A rule which helps determine whether a company's shares are eligible for the FT-SE 100 index is to be reviewed amid concern among some fund managers about the recent inclusion of companies which have relatively small amounts of shares publicly traded.

The FT-SE 100 index covers the largest UK companies, ranked by market capitalisation, and inclusion in the index can greatly increase demand for a company's shares and boost its price.

The debate centres on a rule which says that a company is eligible provided it has a "free float" of at least 25 per cent – that is, at least a quarter of its shares are freely available for purchase.

Index fund managers, who run a basket of stocks designed to mimic the performance of an index, have been concerned that the rule may have forced up their purchase price for some recent new share issues.

They argue that demand from indexers has placed a scarcity value on shares with a free float of as little as 25 per cent, and suggest that the threshold should be raised.

Mr Mark Makepeace, managing director of FT-SE International, which manages the FT-SE indices and is a joint venture between the Financial Times and the London Stock Exchange, said that a review had been prompted by a request from two leading index fund managers, although there were no imminent plans for change. "We will only respond if there is demand for change. There is not enough demand now."

The rules are determined by an independent committee of actuaries, fund managers and investment analysts.

Secondary offerings of shares in two companies, BSkyB and National Grid, have been largely placed in the hands of index fund managers who needed to buy them in order to achieve their promised returns.

Indexers are also concerned about the imminent flotation of UK mobile telephone company, Orange, whose initial offering will consist of 25 per cent of its capitalisation.

But Mr Makepeace said that research conducted by FT-SE International shows that the vast majority of stocks in the key index are freely available in the market. For the broader FT-SE Actuaries All-Share Index, some 10 to 15 per cent is not freely available.

Mr Makepeace conceded that "there may be a problem for some individual stocks".

See fund management column, page 25

Loss of credit licence hits Colorvision

By Peggy Hollinger

Colorvision, the Liverpool-based television and video retailer, is today expected to issue a profits warning which will reveal a sharp drop in trading following the Office of Fair Trading's decision to revoke its consumer credit licences.

The company, which is appealing the OFT's January decision, will tell shareholders that its survival could be under threat if the situation is not resolved.

As the appeal process could take up to a year, Colorvision is expected to call for a further meeting with the OFT this week.

Just two weeks ago Colorvision revealed that sales to the end of December were 15 per cent down on the previous year.

However, it is understood that since then sales have suffered a far greater drop. Both consumer credit sales, which normally account for about half overall turnover, and product sales have fallen sharply since the OFT's announcement.

Although the licences remain in effect until the appeal is decided, it is believed that the OFT's damning comments have been used by competitors in shop window advertising to win business from the 32-year-old high street retailer.

In January, the OFT said Colorvision "had failed adequately to ensure that unfair and improper business practices were not carried on, other than where it had been pursued by the regulatory authorities or some other external source into putting an end to them". Some of the criticisms relate to the inaccurate publication of annual percentage rates.

In its defence, the company has claimed that its infringements have not been unduly serious or unique in the industry. Colorvision has pointed out that the OFT had renewed the group's consumer credit licences for five years from September 1993.

It has also claimed to have developed new procedures, training and manuals to deal with the problem.

The group has also acknowledged it has 20 court convictions, mainly for advertising, but it said the last prosecution had followed an incident in May 1994.

Dowty's £90m orders give TI further boost

By Tim Burt

Dowty Aerospace, the aircraft components subsidiary of TI Group, is today expected to announce that it has won new business worth almost £90m following the recent spate of airline orders.

Mr Tony Edwards, Dowty's chief executive, said the group has been asked to supply an additional £20m of hydraulics and actuation equipment to Boeing following an order earlier this year for 102 Boeing 737 airliners by GE Capital Aviation Services, the US aircraft leasing company.

Dowty's landing gear joint venture with Messier of France has also secured a further £70m of new business as a result of last week's order for 38 Airbus aircraft and 18 Boeing 777s by International Lease Finance Corporation (ILFC) of the US.

The company said the new orders took the value of contracts with Boeing, beyond £500m for the first time.

Other UK aerospace component manufacturers said they would also benefit from recent airline orders.

Lucas Industries, the automotive and aircraft equipment manufacturer, said that it would supply parts worth about £30m on the ILFC deal, while recent new orders by Asian carriers were worth a further £45m.

Smith Industries also said new orders for Boeing's 777s and 737s "provided a positive outlook for our civil aerospace business".

TI Group, meanwhile, is later this week expected to cite improved contributions from Dowty as one of the factors behind increased pre-tax profits of about £180m compared with £153m.

Christopher Lewinton, TI chairman: Dowty profits ahead

Enquiry casts shadow over TSB's sale of Hill Samuel

By Alison Smith, Investment Correspondent

A second inquiry by regulators into commercial property lending at Hill Samuel, the merchant bank, is casting a fresh shadow over TSB's prospects of selling the bank.

The Bank of England is considering a report by City law firm Linklaters & Paine, commissioned by TSB, Hill Samuel's parent, into the merchant bank's property lending in the early 1990s.

Its deliberations coincide with a separate inquiry by the Serious Fraud Office into alleged financial irregularities in the same area.

The Linklaters' report is thought to focus on whether Hill Samuel made proper and timely provision against bad debts on commercial property loans.

Although the allegations concern events from 1990 to 1992, the fact that inquiries are continuing is a blow to the probability of an early sale of at least some of the merchant bank.

Its future within the Lloyds TSB group, which was created at the end of last year by the merger of Lloyds Bank and TSB, has looked insecure since the merger was announced last October.

It is not a part of the retail banking and insurance business which is the focus of the group.

Rumours of an impending disposal have persisted even though Sir Brian Pitman, Lloyds TSB chief executive, said last autumn that there were no plans to sell or close it down.

One possibility is that its asset management division, and its project finance, asset finance and leasing businesses could remain within the group, but that the corporate finance division could be sold if a buyer was forthcoming.

Lloyds TSB said yesterday that it had been made aware of the conclusions of Linklaters' report, along with the Bank of England, and that the matter had been dealt with as part of its due diligence procedures for the merger.

"We are confident that the investigation was handled thoroughly and properly and that there are no material implications for Lloyds TSB," it said.

Hill Samuel was bought by TSB in 1987 for £777m. Losses of £422m in 1991 prompted TSB to put the merchant bank on the market, although it subsequently said that it would keep it.

BET predicts 27% increase in dividend payout

By Geoff Dyer

BET, the business services group, yesterday surprised investors by predicting a 27.5 per cent dividend increase as part of its defence against the £1.9bn hostile takeover bid from Rentokil.

The forecast, higher than expected, was contained in the group's first defence document which also revealed that BET had been on the verge of bankruptcy five years ago.

In addition the document disclosed that 44 BET executives stand to make £9.6m from a controversial incentive plan if Rentokil's bid succeeds. It is understood that about £3m of this will go to Mr John Clark, chief executive.

Sir Christopher Harding, chairman, described the offer as "inadequate" and said: "BET's earnings have recently grown at a substantially faster rate than Rentokil's."

There was no profits forecast, although BET said its dividend cover would remain "prudent". It is predicting a dividend of 5.1p in the year to March 31, compared with 4p last year.

In response to the document, Mr Clive Thompson, Rentokil's chief executive, said: "We are happy for Rentokil's performance to speak for itself." He added it was "so far proving difficult" to find any new information in the document. A more detailed response is expected early this week.

Meanwhile it emerged over the weekend that the Office of Fair Trading has begun an inquiry into the pest control market, of which Rentokil has a share of about 60 per cent. A previous inquiry in 1988 required Rentokil to give undertakings to customers.

Rentokil said it had not asked for the undertakings to be relaxed. The OFT said yesterday that the inquiry was "informal" and was part of its obligations to keep the industry under review.

BET said that the high margins that Rentokil achieves in pest control could be under threat because of the entry into the UK market of ServiceMaster, the US market leader.

BET claimed that its rival's growth record – it has increased profits and earnings by more than 20 per cent in each of the past 13 years – had been maintained in part in recent years by currency effects and changes in accounting policies.

BET said Rentokil's claim to be familiar with the bulk of BET's activities was "flawed" as the overlap between the two group's businesses was less than 25 per cent.

It said that Rentokil did not understand some of BET's businesses and in others BET was already doing what Rentokil said it planned to do.

It also said that if the bid succeeded Rentokil could face exceptionally high gearing, with a negative net worth of £60m supporting net debts of £600m.

BET said it had been "close to default" in early 1991, when it had £500m of outstanding commercial paper, which had very short maturities, backed by only £300m of committed bank facilities. At one stage it also broke the covenants on two bank facilities.

"The group had a full-blown liquidity crisis," said Mr James Lupton, a director of Barings Brothers and a BET adviser.

Since then, BET said, it had been restored to financial stability under Mr Clark, who joined in April 1991, and in the 18 months since April 1 1994 it had seen "impressive" headline earnings growth of 28 per cent.

Over that period the group had spent £307m on capital expenditure, which was more than 155 per cent of depreciation.

Pillar to follow its larger rivals into leisure

By Simon London, Property Correspondent

Pillar, the UK property company, is expected to announce this week that it is buying two leisure parks in a move which underlines investors' growing enthusiasm for leisure properties.

The deal is Pillar's first move into the leisure sector, following MEPC and British Land, its larger rivals.

Leisure parks combine cinemas, restaurants and activities such as bowling and bingo on a single site. Investors hope they will deliver strong rental growth at a time when the outlook for the mainstream UK property market is uncertain.

Pillar is paying £16.8m to acquire two parks under development at South Tyneside and Stockton-on-Tees.

The vendor is THI, a specialist developer of leisure property, which last year formed a joint venture with British Land to build three parks.

The investments being acquired by Pillar are expected to generate annual rental income of about £1.8m, giving a yield of just over 8 per cent at the acquisition price.

The yield on which leisure properties change hands has declined by at least 1 percentage point over the last two years, reflecting growing demand among investors.

Property agents said that shortage of suitable sites could drive yields down further still as investors compete to acquire the best developments.

The Teeside Leisure Park at Stockton-on-Tees, which will be completed towards the end of this year, will incorporate a bingo hall and nightclub operated by First Leisure, a Bass public house and a 10-pin bowling alley.

The site is adjacent to an existing leisure scheme which includes an MGM cinema.

Boldon Leisure Park, south of Newcastle upon Tyne, is likely to feature an MGM Cinema and restaurants including a Burger King outlet. Further buildings could be added in a second phase of development.

Incentive to continue with asset disposals

By Hugh Carnegy in Stockholm

Incentive, a key Wallenberg empire company, is set to follow its full takeover of Gambro, the Swedish medical technology group, with significant asset disposals this year as it further remodels its diverse clutch of industrial holdings, Mr Mikael Lilius, chief executive, said yesterday.

But he said there were no plans for Incentive to offload the shareholdings it has through which the Wallenbergs exercise their half-ownership of Asea Brown Boveri, the Swiss-Swedish engineering giant, and half their controlling stake in Electrolux, the household appliance maker.

Although neither fit with Incentive's strategy to be an operational industrial company focused on medical technology, Mr Lilius said the group would keep both holdings. "There are no immediate plans for change regarding Asea and Electrolux," he said. But he added: "You will see further restructuring in 1996."

The main candidate for sale is Skandinaviska Elverk (SEV), a highly profitable power company with turnover last year of SKr1.9bn ($279m) that currently supplies about 3 per cent of Sweden's electricity consumption. "[SEV] is in very good shape but it is not a perfect fit," Mr Lilius said.

He was speaking after Incentive announced a jump in pre-tax profits – excluding contributions from associated companies – from SKr2bn in 1994 to SKr2.6bn last year. Group sales rose from SKr18.4bn to SKr24.3bn.

Incentive's steady evolution to a more focused, growth-oriented operation from a highly diversified conglomerate took a big step forward this year with the full takeover of Gambro, a blood treatment specialist which is a world leader in renal care.

Earlier this year, the group sold Hasselblad, the prestigious specialist camera maker, in the latest of some 40 disposals in recent years.

Medical technology, which accounted for SKr10bn in turnover last year, is now comfortably the biggest unit in Incentive. But the group continues to own operations in transportation, environmental equipment, materials handling and power, as well as the Asea and Electrolux stakes.

Mr Lilius has made little secret of his long-term preference to offload the Asea and Electrolux holdings. One frequently canvassed solution would be to reshuffle them into Investor, the senior Wallenberg investment vehicle. But the Wallenberg camp has ruled this out, apparently for tax and other reasons.

Instead, Mr Lilius said remaining trading operations would be sold off and the power operations were also likely to be disposed of.

The latter achieved an operating margin of more than 31 per cent last year, well ahead of the 14.8 per cent returned by Gambro, the next most profitable unit.

Incentive is spending SKr10.8bn on buying up the 58 per cent of Gambro it did not already own. It has won acceptances for more than 99 per cent of the shares.

The acquisition will reduce Incentive's equity to assets ratio from 52 per cent to 35 per cent.

Mr Lilius said there was no urgent need to raise capital to strengthen the balance sheet. But he wanted to be prepared to finance Gambro's ambitions to expand, including through acquisitions.

Newcrest seeks merger talks with Normandy after raid

By Nikki Tait in Sydney

Newcrest, the Australian goldmining group which snapped up 14.9 per cent of Mr Robert Champion de Crespigny's Normandy mining group in a stock market raid last year, has told its target that it would like to "explore the advantages of a possible merger".

Newcrest also owns 12.5 per cent of PosGold, Normandy's listed 51 per cent-owned goldmining offshoot. The initial PosGold stake was bought at the same time as the Normandy holding, and topped up in the market last week.

The merger suggestion was made by Sir Roderick Carnegie, Newcrest's chairman, at a meeting with Mr de Crespigny in Frankfurt last week. Normandy rejected the suggestion, at least for the time being, saying it was "inappropriate to discuss or consider any such approach before the outcome of the Normandy merger meetings is known".

The Newcrest share raid came just weeks before shareholders in Normandy and three of its satellite companies (including PosGold) were due to vote on a four-way restructuring which would see them merged into one entity.

Aside from Normandy and PosGold, the two companies involved in this plan are North Flinders Mines and Gold Mines of Kalgoorlie. PosGold has large minority stakes in both.

"Following the Normandy group merger, the re-constituted board could then discuss the possibility of considering a merger proposal with Newcrest," said Normandy.

Newcrest has asked Mr de Crespigny to address its board tomorrow and explain why Newcrest should support the four-way merger – an invitation which has been accepted.

The existing merger plan will be put to shareholders of three of the groups involved next Friday, and to North Flinders shareholders on April 4.

Robert de Crespigny: will address Newcrest board tomorrow

Japanese steel groups move back into the black

By Michiyo Nakamoto in Tokyo

Four of Japan's leading steel companies expect to announce a return to profit for the first time in three years when their business years end at the end of March, although some have downgraded earlier forecasts.

Kawasaki Steel, Kobe Steel, Sumitomo Metal Industries and NKK are moving out of the red, helped in most cases by restructuring.

Kobe Steel, which was hit by the effects of a devastating earthquake in January last year, expects record net profits of Y67bn ($633m), against net losses of Y96bn a year ago.

However Kawasaki and Sumitomo, along with Nippon Steel, have warned that weakness in both domestic and overseas markets mean profits will be smaller than expected.

Nippon Steel, the world's largest steelmaker, now says recurring profits – before extraordinary items and tax – will be Y63bn rather than the expected Y80bn, against Y11.2bn in the previous year. The company projects the increase despite a fall in sales to Y2,080bn from Y2,090bn.

Kawasaki Steel expects recurring profits of Y16bn compared with a Y18.3bn loss last year, and Sumitomo Metal Industries is forecasting recurring profits of Y20bn.

The three companies are more dependent on steel products than NKK and Kobe Steel, which respectively have large industrial plant and machinery an aluminium businesses.

The earlier part of the year was marred by a sharp rise in the yen's value, which led to falling competitiveness overseas as well as a flood of imports from lower-cost foreign steelmakers, notes Mr Minoru Hasegawa, industry analyst at BZW Securities in Tokyo.

Meanwhile, Japanese steelmakers had been encouraged by expectations of big rebuilding in the Kansai area that was hit by a severe earthquake, to boost production.

However, that demand failed to materialise as expected and in the latter half of the year, the slow pace of reconstruction combined with a near-40 per cent increase in imports to depress prices and resulted in a build up of inventories. At the same time, markets overseas also turned weak.

The steelmakers do not expect the situation to improve dramatically in the year ahead. As a result, they are counting largely on further restructuring to help them through.

Escom chief cuts stake as part of reshape

By Michael Lindemann in Bonn

Mr Manfred Schmitt, chief executive of Escom, the beleaguered German computer retailer which recently announced 1995 losses of DM125m ($84.25m), has reduced his stake in the company he founded from 48.5 per cent to 30 per cent as part of a restructuring which will give Escom DM100m of fresh funds.

A 16 per cent tranche has been passed on to BV Beteiligungsgesellschaft, a subsidiary of the Munich-based Bayerische Vereinsbank, and a further 2.5 per cent has been taken up by Siemens Nixdorf, the German computer manufacturer which already held a 10 stake.

Mr Schmitt's move coincides with a capital increase of DM60m and extended credit lines worth DM40m. The new shares have been taken up by Commerzbank, Germany's third-biggest bank, and "will be offered to shareholders who are entitled to them at the next available opportunity".

"The shareholders and the banks have thereby created the conditions which will enable Escom, through a consolidated financial base and an expanded group of shareholders, to successfully develop its business," the company said in a statement.

However, Escom's prospects remain unclear, especially as the DM125m losses contrast sharply with the significantly better figures forecast just six months ago.

The company said on Friday that while business this year remained brisk, there was no prospect it would be strong enough to make up for the slump in Christmas sales, a vital period for computer makers, and that stock problems persisted.

Escom's recent difficulties have put paid to a deal with RWE, one of Germany's largest conglomerates, which had said last September it would take a 12.5 per cent stake in Escom in order to improve the sales of its telecom businesses through Escom's 450 retail outlets across Europe.

NEWS DIGEST

Promodès ahead to FFr1bn for year

Promodès, the French retail group, reported net income up 13.6 per cent to FFr1bn ($196.8m) for 1995. Turnover rose 6.2 per cent to FFr101bn, which the group said represented an increase of 6.6 per cent on a comparable basis and at constant exchange rates.

Operating profits fell 6.3 per cent to FFr2.2bn, which it said reflected new fiscal measures adopted by the French government costing an additional FFr108m, as well as its policy of accelerating development in other countries. Group debt represented 57.1 per cent of shareholders' funds. The board recommended a dividend of FFr12 per share, up 14.3 per cent.

Andrew Jack, Paris

Brazilian steelmaker slips

Brazilian steelmaker Usiminas reported a net profit of R$326.6m (US$332m) for 1995, down from R$356.9m in 1994. Turnover was R$2.11bn, against R$2.36bn in 1994, and return on shareholders equity dipped from 14.1 per cent to 11.9 per cent. Earnings per 1,000 shares were R$0.147, against R$0.159. However, comparing the two years is difficult because Brazil changed currencies in July 1994.

Total production fell slightly from 4.28m tonnes to 4.26m tonnes. Sales fell from 3.78m tonnes to 3.64m tonnes, with domestic sales down from 2.46m tonnes to 2.45m tonnes and exports down from 1.32m tonnes to 1.2m tonnes.

Jonathan Wheatley, São Paulo

Commerzbank in share sale

Commerzbank, Germany's third-biggest bank, has sold the last of the 15.4 per cent stake in the Thyssen steel and engineering conglomerate which it bought last year, passing just over 2m shares on to mostly UK pension funds for a total of about DM575m.

The disposal means that the Fritz Thyssen Stiftung, a Thyssen family foundation, still holds an 8.6 per cent stake in the Düsseldorf-based group, as one of only two significant investors. A further block of 11.5 per cent will continue to be held equally by Commerzbank and the Allianz insurance group through an investment company. The remaining 79.9 per cent shares are held by private or institutional investors.

Commerzbank bought the 15.4 per cent stake last year from Counts Federico and Claudio Zichy-Thyssen, great-grandsons of the company's founder, August Thyssen. The bank said, however, that it never regarded the shares as a permanent investment and would pass them on to other investors within the 12-month period permitted by German cartel law.

Michael Lindemann, Bonn

Popolare chief tipped for job

Mr Francesco Cesarini, chairman of Banca Popolare di Milano, is expected to be elected next chairman of Italy's stock exchange board following his inclusion among the 14 members appointed to the new board.

The appointments, made by Mr Lamberto Dini, the prime minister, acting in his role as treasury minister, follow consultations with brokers' associations. They do not include the present chairman, Mr Attilio Ventura, who has led Milan's stock exchange through its reforms of the past three years.

Mr Cesarini, one of five members reappointed, would represent continuity with the previous board, of which he was vice-chairman and whose mandate expires on March 15. The new board, which includes representatives of the central bank and Consob, the stock market watchdog, will play a transitional role guiding the stock exchange's transformation from a public into a private institution.

John Simkins, Milan

Japan's shipyards in doldrums

Competition from Asia, excess supply and high costs have all taken their toll on the industry, writes Gerard Baker

Dry Dock Number 3 at the Sasebo shipyard in western Japan offers a powerful illustration of the current plight of Japanese shipbuilders.

A month ago, the US navy informed Sasebo, one of Japan's eight largest shipbuilders, that it wished to use the dock for long-term repairs to one of its ships, the 45,000 tonne USS Belleau Wood. In other circumstances the prospect of such a repair contract might appear enticing to a struggling shipbuilder.

But the deal did not promise to be lucrative at all for Sasebo. In fact, the plan was that they should do it for free.

Under the terms of a contract between US forces, the Japanese government and Sasebo, in effect since the second world war, the US navy has the right to dock its ships at Sasebo's yards and have them repaired for nothing.

But last month, in an unprecedented act of defiance, the company refused. Tying up its largest dry dock for six months would, it said, cost the company Y9bn ($85m) – almost one third of its entire half-yearly turnover.

"The use of Dock Number 3 in this way would literally kill the company," says a manager in the planning division at the company. "We will lose other clients who will not be able to have their ships repaired – they will almost certainly go to other Asian yards, and will probably never come back."

Mr Ryutaro Hasegawa, the company's president, told the US navy that Sasebo could not agree to the plan. In the past, he explained, the company might have been able to afford to allow a deal like the one proposed, but it was no longer financially healthy enough.

Negotiations have since come close to settling the dispute – it is probable that the US navy will agree to pay some of the repair costs. But the unusual acknowledgement of financial difficulties by Sasebo's management highlighted the continuing weakness of an industry that has been almost synonymous with Japan's post-war economic success.

Once unrivalled as the world's leading shipbuilders, Japan's yards have hardly been out of the doldrums in the past two decades. Following the oil shock in the mid-1970s, Japanese companies have had difficulty adjusting downwards their enormous capacity.

After several false dawns, the harsh reality is that they still face a hard slog in the face of excess supply at home and abroad, and high costs as a perennially strong currency intensifies competition in Asia.

At first sight, such a gloomy prognosis sits uneasily with the recent evidence.

Last year Japan confirmed its status as the world's largest exporter of ships. It lost that title in 1993 for the first time in more than a decade – to South Korea – but bounced back in 1994 and consolidated its position in 1995. Total orders received were 8.1m gross tonnes.

Japan still produces about one third of the world's ships – and, since the business is heavily cyclical, the emerging recovery in Japan and continuing strength in Asian markets should ensure that demand over the next few years grows steadily.

Even the Korean yards, long regarded as the nemesis of Japan's shipbuilders, have started to discover some of the costs of their own rapid growth. Their wage bills are rising rapidly and their keen competitive edge over their rivals has dulled.

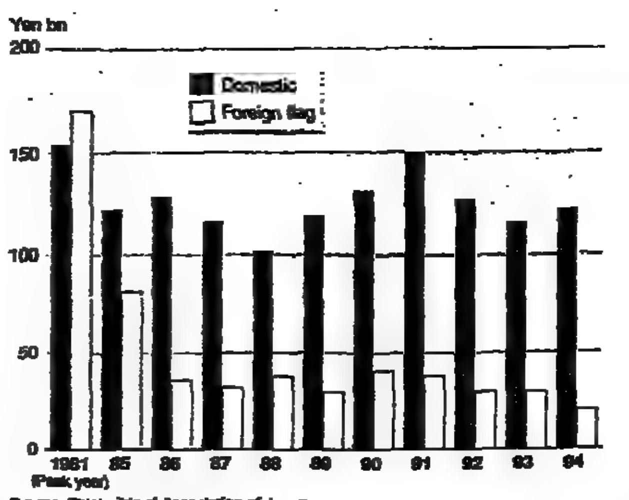
But that is where the good news ends.

The big Japanese companies' recent performance is merely part of the long stagnation of the ship market in the past decade. A gap of up to two years between orders and deliveries is reflected in recent sales and profits.

In the year to March 1995, combined shipbuilding turnover was Y863.1bn, a decline of 17 per cent on a year earlier. (Other activities – such as heavy equipment manufacturing – offset much of the shipbuilding declines for most companies, but the decline in core business was dramatic.) Profit margins hit their lowest level for four years.

But if the past has been disappointing, the future looks bleaker. Japan's return to the top of the world exports league has been achieved at a cost. The prices at which most of these contracts have been struck have been among the lowest for years – for some categories of ship, nearly 20 per cent below their peak in 1992. The price of a 250,000 tonne very large crude carrier (VLCC) dropped by almost 14 per cent between 1992 and 1995.

Japanese shiprepair sales



Source: Shipbuilders' Association of Japan

And these are dollar-denominated figures. The situation has been much worse for Japanese companies as the exchange rate has moved sharply against them. In the period when the Japanese were increasing their share of orders, the yen reached its peak against the dollar, at around Y80 – a factor that will bite hard into margins over the next few years. This problem will continue to be significant even if, as expected, dollar prices stage a mild recovery in the next few years.

Although growth in world demand is likely to lift orders over the next 10 years, that growth will coincide with expansion in global capacity. A recent wave of Korean investment will, according to some estimates, lead to overcapacity of up to 50 per cent in world markets by early next century.

In the year to March 1995, combined shipbuilding turnover was Y863bn, a fall of 17 per cent on a year earlier

Japanese companies also face further pressures from the shrinking defence market at home. Government defence plans for the rest of the decade, published late last year, envisage the deepest cuts in naval vessels for decades. Unlike other countries' shipbuilders, Japan's yards cannot make up that shortfall through military exports, since they are barred from selling defence equipment overseas.

But the Japanese have not been idle in meeting this formidable array of challenges.

To reduce costs, they have stepped up purchases of materials from overseas, in an attempt to turn the high yen to advantage and to avoid the most extreme effects of Japan's high labour costs. Hitachi Zosen announced last year that it intended to raise overseas materials purchases to about Y60bn, or 38 per cent of total materials purchased in the current year – almost twice the level of a year earlier. Mitsubishi Heavy Industries, the largest company, said it would begin sourcing marine engines from manufacturers in Europe and Korea.

Investment in new technologies is also beginning to feed through into profitability. The re-equipping of shipyards with increasing automation has pushed Japanese production efficiency well ahead of its Asian competitors.

Most of the larger companies are also exploiting the diversified nature of their businesses and expanding other heavy engineering projects. Shipbuilding now accounts for just 8 per cent of Kawasaki Heavy Industries' total revenues, and 15 per cent of Ishikawajima Harima Heavy Industries' income.

But perhaps the most intriguing developments have been the first tentative steps towards partnerships. In the past 12 months a number of collaborative projects have been announced by the big companies. In the defence field, IHI and Sumitomo Heavy Industries announced plans for a company to build and repair warships. Hitachi Zosen and Mitsui Engineering and Shipbuilding signed a similar deal.

In civil shipbuilding, partnerships have even begun across borders. Last September, for example, IHI signed an agreement with a Chinese yard to build cargo vessels for a European company.

The expansion of shipbuilding facilities in Asia over the next few years will test Japanese companies to the full. Many still have considerable overcapacity, in spite of closures, mothballing of several shipyards and a sharp decline in workforces. The prospect of closer integration – even partial consolidation among companies themselves – seems likely to be the next phase in their long adjustment process from the heady days of two decades ago.

NEWS DIGEST

Sandvik sees lower result for 1996

A clear pattern for Sweden's leading exporters of weakening performance in recent months was echoed by Sandvik, the tools and specialty steels group, which reported a fall in profits in the fourth quarter of last year and warned that 1996 returns would be below the record set in full-year 1995.

Sandvik said the surge that continued in the first half carried the full-year pre-tax surplus for 1995 to SKr5.6bn ($825.3m), a 47 per cent rise over 1994's SKr3.8bn. Group sales rose 17 per cent from SKr25.2bn to SKr29.7bn.

However, the group was hit by weakening demand in western Europe in the second half, with conditions in France and Germany "surprisingly weak" in the fourth quarter. Fourth-quarter pre-tax profits slipped from SKr1.35bn to SKr1.31bn. "We expect a weaker economy in 1996 and a stronger Swedish krona. Accordingly, earnings in 1996 are expected to be somewhat lower than in 1995 – but will still be at a high level," Sandvik said.

Earnings per share in 1995 rose 53 per cent from SKr8.75 to SKr13.40. The dividend was lifted 60 per cent from SKr3.75 to SKr6.00 a share.
Hugh Carnegy, Stockholm

Neste doubles dividend

Neste, the Finnish oil and energy group, rewarded investors who bought shares last year, when the state-controlled company was partially privatised, by doubling its dividend for 1995, despite only marginal profits growth. Finland's biggest industrial group by sales said it intended to pay a dividend of FM2.40 a share, twice the level of the 1994 payout. The decision follows the sale of a 10m tranche of shares last November, reducing the government's stake in Neste to 83.6 per cent and resulting in the listing of the company on the Helsinki bourse.

As previously signalled, Neste said pre-tax profits in 1995 rose only slightly, from FM1.23bn to FM1.36bn ($295.8m). The rise was chiefly the result of lower financing costs, as operating profits fell from FM2.24bn to FM2.14bn, mainly because of a FM300m rise in depreciation costs arising from a change in the treatment of goodwill. Group sales fell sharply from FM49.2bn to FM43.3bn, largely because of a deliberate reduction in Neste's international crude oil trading as it restructured in advance of the privatisation issue.
Hugh Carnegy

Brahma benefits from stability

Brahma, Brazil's biggest brewer, announced a sharp increase in profits for last year, helped by the country's economic stability. Net profits increased 73 per cent to R$250.3m (US$255m) in the year to December 31, from a restated R$144.4m in 1994. No explanation was given for the increase, although all Brazil's brewers saw sharp rises in demand following the 1994 launch of a new currency, which brought down inflation and channeled more income to poorer consumers.

Sales, net of taxes, increased more than 30 per cent to R$1.34bn, but operating expenses were controlled to only a 3 per cent increase. As a result, operating profits were ahead sharply, from a restated R$186.6m in 1994 to R$342.7m.

The group said it opened three new breweries during the year – including the largest in Latin America, where the company spent US$680m on a unit with an annual capacity of 12m hectolitres of beer and 5m hectolitres of soft drinks. The company said its average annual productivity last year reached 7,000 hectolitres a head, a target it had not expected to reach until 2000.

A dividend of R$8.95 per 1,000 shares was proposed.
Angus Foster, São Paulo

BHP shares slip on warning

Shares in Broken Hill Proprietary, the Australian resources group, slipped 6 cents to A$18.67 on Friday after the company warned that profits from its steel division would show a "significant deterioration" in the third quarter, to end-February, and for the first nine months of the financial year. In the first six months, profits from the steel business were down 15.1 per cent, at A$292m (US$222.8m). The company said that pressures on export steel prices, along with higher costs and lower Australian deliveries had continued into the third quarter. The warning came in a prospectus accompanying a US debt offering. BHP's third-quarter figures will be released on March 22.
Nikki Tait, Sydney

FINANCE

Not enough Orange to go round

With all the index funds after a piece, setting a fair price could be sticky, says Norma Cohen

For most fund managers, the imminent flotation of UK mobile telephone company Orange requires making a straightforward decision about value and price.

Not so managers of index funds – those who manage a basket of stocks the performance of which is designed to mimic that of a key index, such as the FT-SE 100 or the FT-SE Actuaries All Share. These managers have little option but to buy, no matter what the price.

From late June, Orange, with an estimated market capitalisation of between £2.2bn and £2.4bn, will almost certainly be included in the FT-SE 100 and any fund manager committed to matching this index will have to own Orange shares.

The problem is that Orange shares will be scarce: only a quarter of the company is being offered to the public.

London Stock Exchange rules have long allowed companies to obtain a listing provided that they have a "free float" of at least 25 per cent of their share capital – in other words, that 25 per cent is available for trading.

The same percentage threshold applies to inclusion in the FT-SE 100 index, which is made up of the largest UK companies, measured by total market capitalisation. Thus a company with a total capitalisation of £1.7bn, but with traded share capital of only £425m-£450m, can find itself in the FT-SE 100.

FUND MANAGEMENT

The rules of the index, which are overseen by an independent committee of City professionals, pre-date the rise of index fund management in the UK. Some fund managers say that these rules may now be responsible for distorting the prices for some share issues – those which only meet the minimum free float – and should be reviewed.

Index funds – which own an estimated 7 to 8 per cent of the shares on the UK stock market – need to buy the new issues to maintain their performance objectives.

A further 7 to 8 per cent of the market is dominated by quasi-indexers – fund managers whose strategy requires them to hold a weighting in every share in the index so that their annual returns do not deviate too far from it.

Thus, very little of a company's shares may be subject to the bargaining between buyer and seller which helps determine a new issue's price.

"If 15 per cent of the UK market is indexed, that's about half of what is available," said Mr Rick Lacaille, director of structured products at NatWest Investment Managers. The fact that Orange shares are almost certain to be admitted to the FT-SE 100 at the next quarterly committee meeting, on June 12, makes them "a pretty significant one-way bet".

This point has not been lost on investment bankers who are responsible for distributing new shares to investors.

"These rules are probably slightly outdated," conceded one banker. "You could probably increase the threshold [for entrance to the FTSE] as the level of indexation in the UK rises."

Orange is only the latest in a spate of offerings of partial stakes in large companies which have then entered the FT-SE 100.

Last September Pearson, publisher of the Financial Times, sold its 8.5 per cent holding in BSkyB, which pushed that company's traded share capital just above the 25 per cent threshold. The stake was placed almost entirely with indexers.

Pearson was aware of the premium that probable entrance to the index would place upon the shares and structured the deal with its advisers so that it captured that premium.

While BSkyB shares have traded, for the most part, above the price at which they entered the index, passive fund managers are less happy about the performance of their shares in the National Grid.

Last December recently privatised regional electricity companies sold enough shares in the Grid for it to cross the 25 per cent threshold and enter the index. But the December sale price of 208p has not been seen since.

Prices for shares in Orange, BSkyB and National Grid were arrived at through a "book-building" exercise designed to reflect actual demand. Without demand from the indexers, one may only speculate what the share prices might have been.

For their part, the advisers say it is not in their interest to simply obtain the highest possible share price.

After all, they must approach index fund managers again and again to buy new issues and antagonising them is likely to backfire.

Moreover, they are required to maintain an orderly after-market and setting too high a price will cost them dearly as they try to stabilise a new issue.

Instead, they point a finger at the fund management community and the consensus-oriented approach to portfolio construction.

"The problem in the UK is that the fund management community is more concerned with relative performance than with absolute performance," said one investment banker. "That is what causes the real squeeze."

The preoccupation with performance returns close to the index, or to the industry median, means that even non-index fund managers want more than anything to buy shares below or at the price they enter the index.

"Our target is to beat the price at which the shares go into the index," said Mr Lacaille, an indexer. "It's not a value-added process but it is the least risky."

Indexers who feel that the share price is too high have few options. There are hedging strategies which can be employed by those determined not to buy over-priced shares. These include the purchase of call options in advance of a stock entering the index.

In the case of Orange, indexers may try to buy a proxy, possibly in the form of a basket of mobile telephone company shares whose performance is likely to be similar.

However, such alternative strategies raise the risk of so-called tracking error – the degree of deviation between the tracked index's returns and those of the fund manager.

But some fund managers believe the real solution lies in requiring greater free float before a share can enter the index at all. "You have to question whether the rules are really up to date," Mr Lacaille said.

FACES

Nugget of wisdom in worthless paper

Anyone who has endured the ignominy of trying to pay for a restaurant meal with an overdrawn credit card will enjoy the experience of Donald M Coxe, recently-named chairman and chief strategist for Chicago-based Harris Investment Management, Norma Cohen writes.

Coxe, right, was in London last month, along with other luminaries, to address the joint international advisory board of Barrick Gold – one of the world's leading gold producers – and Horsham, its controlling shareholder.

He paused at fancy food purveyors *Fortnum & Mason*, near Piccadilly Circus, to buy some cheese and tea, paying with a £50 note obtained from Harris Trust & Savings Bank, parent of his investment management company.

Unhappily for Coxe, the eagle-eyed shop assistant instantly spotted the note was a fake and called a security guard, who in turn called the police. They hauled him down to Vine Street, the local police station, for questioning.

After 90 uncomfortable minutes, the police were persuaded by virtue of his position, his temporary residency at a most exclusive, invitation-only hotel and his stock of genuine £50 notes, that he was the victim of someone else's fraud.

Harris Bank, it seems, had obtained the counterfeit £50 notes from a bank in New York which it has declined to identify publicly, although its name has been passed to US law enforcement authorities.

Despite the discomfort of the incident, Coxe believes it offers important insights into the relative merits of various monetary instruments.

"One lesson I learned from this," he told the assembled Barrick-Horsham board, "is the enduring value of gold."

Magalhães Pinto clan in a sea of troubles

There seems to be no end to the bad news afflicting Brazil's Magalhães Pinto family, one of the country's wealthiest, Angus Foster writes. Already distraught by the loss of the family's bank last year, its patriach and his sister both died within hours of each other last week.

The family was forced last year to give up control of Banco Nacional, a leading Rio de Janeiro-based bank, amid a liquidity crisis. Allegations of fraud, apparently involving several billion dollars and going back several years, then started swirling around the bank and prompted the senate last Wednesday to instigate a full enquiry into Nacional and Brazil's financial system.

José de Magalhães Pinto, the 86-year-old founder of Nacional and an important political figure in the 1960s, died of a heart attack on the same day the senate enquiry was announced. He had been ill for many years and family members denied any link between his death and the enquiry, saying he was rarely lucid in recent years. Although he had been told about the loss of the bank, he had difficulty remembering such matters. Just a few hours later, his sister also died.

Attention will focus in coming weeks on two of his sons who ran Nacional, Marcos and Eduardo. The senate is expected to call both as witnesses for its investigations, and some politicians are already claiming the brothers must have known what was going on, which media reports blame on a senior functionary. Both have refused to comment publicly since they lost control of Nacional, which the central bank sold to its rival Unibanco last November.

Despite its wealth and connections – the two brothers' sister, Ana Lucia, is married to the son of Brazil's President Fernando Henrique Cardoso – the family lives discreetly in Rio de Janeiro. Friends say the family is shocked by its sudden fall from grace, and Ana Lucia has hardly appeared in public since the bank's problems became known.

No shotgun weddings for Belgian banking

Daniel Cardon de Lichtbuer is a man not afraid of controversy, Neil Buckley writes. The affable chief executive of Banque Bruxelles Lambert, Belgium's fourth-largest bank, last summer launched the biggest debate in the Belgian financial world – about the need for a "GBB", or "Grande Banque Belge".

Cardon's thesis is that there are "too many medium-sized banks in Belgium". None, he says, is big enough to compete in the international market – especially if the Belgian franc is swept away by a single European currency.

His views gained support in December from finance minister Philippe Maystadt, and a month later from Elio Di Rupo, economics minister. But they were not universally welcomed in the banking sector, and his statement in a newspaper interview last summer that he would like to see his own bank, BBL, merge with another produced a flurry of headlines suggesting BBL was for sale – which the bank rushed to correct.

Last week, reporting a 15 per cent increase in net profits, Cardon reiterated that his bank was "not for sale". But he defended his views on the need for mergers, and said it was almost inevitable that BBL would merge or form an alliance with another bank within the next few years, just as Banque de Bruxelles and Banque Lambert merged 21 years ago to form BBL.

Who might be a suitable partner? Ferdinand Chaffart, chief executive of Générale de Banque, said last week that his philosophy was to be "standalone". Meanwhile, Crédit Communal de Belgique, the state-owned bank seen by analysts as another candidate for merger with BBL, has, in the words of Cardon, "internal problems which make it difficult to be flexible".

Cardon retires from BBL next year, but the debate he sparked on the future of Belgium's banks may well outlast him.

Dinner invitation from Sir Terence

Can Sir Terence Conran, the man behind glitzy London restaurants such as Quaglinos and Mezzo, persuade City workers to stay around after dark?

When the Great Eastern Hotel – the only one in the Square Mile – reopens in 1998 following a £30m refit, there will be three Conran eateries to choose from, including a glamorous 300-seater along the lines of Quaglinos, Simon London writes.

The lunchtime market should be easy to please. The City is notably short of affable and affordable lunch spots. But lunch trade alone is unlikely to deliver a handsome return on Conran's investment. "The real trick is to get people in the evenings," admits Des Gunewardena of Conran Holdings. "No one in the City has cracked it yet, but if we create a sufficiently exciting destination I am sure people will come."

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Gerard Baker in Tokyo

Turn of the Japanese bogeyman

Last week's panic-stricken reaction on Wall Street to the latest US jobs data serves only to underline the volatility of financial markets. But the real threat to stability continues to lie with the Japanese recovery.

For months the barely whispered fear in global markets has been of a re-run of 1994, with the Bank of Japan taking the place of the Federal Reserve as bogeyman. Alarmed fixed income investors have been watching anxiously for evidence of an end to the long Japanese slump. The risk was that higher interest rates would lead to a flood of Japanese money returning to Tokyo, sparking off a global capital shortage with predictable consequences.

In this slightly paranoid atmosphere the recent words of policymakers have been invested with all kinds of unintended significance.

Step forward Mr Wataru Kubo, improbable finance minister of Japan. The former school teacher and lifelong member of the socialist party was hustled into his post two months ago when no other member of the governing coalition could be prevailed upon to sacrifice himself over the increasingly intractable row about Japan's housing loan companies.

Mr Kubo has spent most of those two months trying to wriggle the government off the self-manufactured hook of its bailout plan for these bankrupt businesses. But from time to time he has ventured out, Pooter-like, into the world of real economic policy.

His most consequential remark came three weeks ago, when he made the apparently unstartling observation that the current historically low interest rates in Japan were not much help to the country's savers - especially the old.

The fixed income markets were convulsed. Investors immediately took these rather kindly remarks from the sexagenarian socialist to mean the long-awaited Japanese credit tightening was about to start: the benchmark 10-year bond yield quickly rose to a six-month high.

To be fair. Mr Kubo's remarks coincided with a change of sentiment in the fixed income markets. Bond yields have been edging up for the last few months as a steady flow of better news about the economy convinced investors that it was at last headed for a recovery worthy of the name.

But Mr Kubo's intervention appeared to be the catalyst for a definitive shift. In spite of attempts by officials to downplay the significance of his remarks, it was widely argued that they were the first sign of an impending policy change.

By the end of February, the benchmark bond yield had risen close to the 3.5 per cent level, up 0.8 percentage points in three months. Aggressive fund raising by Japanese banks approaching their year-end also pushed up 3-month rates.

But the Japanese government does not seem to be about to change tack. Look no further than the one institution that has been remarkably unmoved in the frenzy. While bond yields were leaping wildly in late February the Bank of Japan continued supplying the money markets, holding overnight rates below the official discount rate, which remained untouched at 0.5 per cent.

Indeed it is impossible not to be impressed by BoJ officials' rigid determination to maintain control Mr Yasuo Matsushita, the governor, leaves no doubt about where his and the bank's priorities lie – in the need to foster the nascent but far from independently viable economic recovery.

Justification for this approach became even more evident when, at the beginning of this month, the bank published its quarterly survey of business conditions. The tankan is the most influential indicator of economic confidence, and the bank relies heavily on its conclusions in determining monetary policy. It is striking how often a disappointing tankan has been followed by an interest rate cut.

The latest survey confirmed that recent heightened optimism about the recovery is misplaced. There was only a marginal and lower than expected improvement in confidence among large companies.

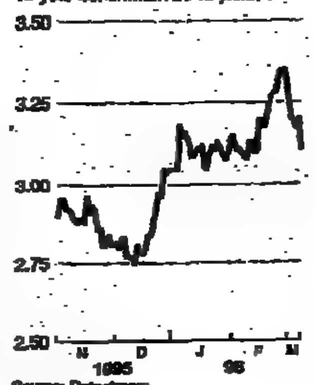
The hollowing out of Japanese industry continues apace, with the share of overseas production at Japanese manufacturers rising from 18 per cent a year ago to 21 per cent today.

Demand conditions actually deteriorated from last November, according to the survey, with a growing balance of companies reporting excess inventories and supply. The labour market remains very weak, with a similar increase in the balance of companies reporting a labour surplus. And the number of companies expecting to cut prices rose again.

In short, a change in policy is not an early priority for the BoJ, nor for the preoccupied bureaucrats at the finance ministry. Interpreting the auguries of the US economy may be getting more complicated by the week. Japan's remain unambiguous.

Japan

10 year benchmark bond yield, %



Source: Datastream

Total return in local currency to 7/3/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.06	0.06	0.19	[illegible]
Month	0.45	0.04	0.28	0.36	[illegible]	[illegible]
Year	6.94	2.25	5.65	7.25	11.50	[illegible]
Bonds 3-5 year						
Week	0.20	1.19	0.56	[illegible]	[illegible]	[illegible]
Month	-1.04	0.19	0.21	0.22	0.05	0.25
Year	11.59	8.09	13.33	15.[illegible]	[illegible]	[illegible]
Bonds 7-10 year						
Week	0.32	1.14	0.63	0.65	[illegible]	[illegible]
Month	-2.15	-0.01	-0.70	-0.09	0.11	[illegible]
Year	15.00	11.19	14.82	19.55	[illegible]	[illegible]
Equities						
Week	2.0	-2.0	0.5	1.0	[illegible]	[illegible]
Month	1.1	-5.7	1.0	2.8	[illegible]	[illegible]
Year	38.9	14.4	20.7	20.8	[illegible]	[illegible]

Source: Cash & Bonds - Lehman Brothers. Equities © FT/S&P Actuaries World Indices. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Insurers expected to demonstrate improvement

■ **Prudential:** The UK's largest life assurance and investment group, announces full-year results for 1995 tomorrow, on a new basis to reflect the EU insurance accounts directive. The Pru restated its 1994 and first-half 1995 results last month. These showed an interim pre-tax profit of £499m, and analysts' forecasts for the new basis full-year are from £740m to £780m. Forecasts for the full-year dividend are for 15.5p-15.6p – a rise of at least 7.5 per cent.

■ **Legal & General:** Full-year results are due from the large UK life assurer on Thursday. L&G's accounts show investment returns in an "unsmoothed" way, and so year-on-year comparisons are volatile. In 1994 pre-tax profits slipped more than 9 per cent to £164.9m, but analysts' forecasts for 1995 are focused in the £250m-£260m range.

■ **Laporte:** The specialist chemicals company has said its annual pre-tax profits announced today would be 10 per cent down on last year's £123.5m to about £110m.

Downturns in the construction and bulk chemicals markets hit the company's water technology, construction and bulk polymers activities.

■ **Williams:** The diversified industrial group is expected to announce annual profits of between £225m and £229m tomorrow, up from £200m. The figures will include an exceptional gain of £9m linked to the November flotation of Cortworth, the specialist engineering group in which Williams retains a 19 per cent stake.

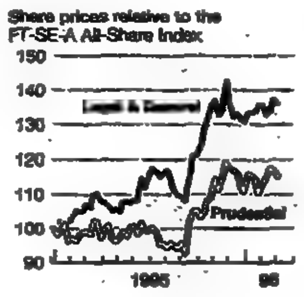
■ **TI Group:** The specialist engineering and aerospace components manufacturer tomorrow is likely to report annual pre-tax profits of about £180m, against £153m.

■ **Wolseley:** Concern about declining margins has led analysts to downgrade pre-tax profit forecasts for the world's largest distributor ofheating and plumbing equipment, to £110m-£112m for the six months to the end of December compared with £117.4m last time when the company reports tomorrow.

■ **Reckitt & Colman:** On Thursday the maker of cleaners and other household products, is expected to show pre-tax profits for 1995 before exceptionals of about £286m, against £270.3m.

UK Insurance

Share prices relative to the FT-SE-A All-Share Index



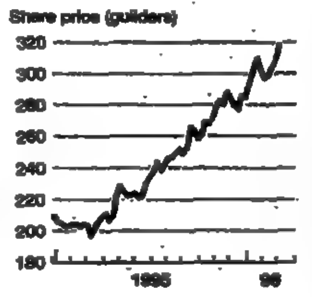
Source: FT Extel

■ **Reed Elsevier:** The Anglo-Dutch information group is expected to announce a strong set of 12-month results on Wednesday – influenced by the first year's contribution from the Lexis-Nexis database company.

Predictions for pre-tax profits range from £705m to £718m compared with £606m last year.

Heineken

Share price (guilders)



Source: FT Extel

■ **Heineken:** The Dutch brewing group is on Thursday expected to report 1995 net profit of between Fl 662m and Fl 677.4m (£268m) ($410m), compared with Fl 603m before extraordinaries a year earlier. In 1994, Heineken posted net extraordinary income of Fl 59m, putting net profit after the gain at Fl 662m. No extraordinaries are expected for the full year, and there were none in the first half, *reports AFX News.*

The company said in early September it expected a similar full-year gain for net profit on ordinary activities to the 10 per cent rise reported in the first half. The dividend is expected to be unchanged at Fl 3.50.

Fine weather in September and October should have boosted Dutch beer sales and could lift the results. However, analysts warn that Heineken's second-half results may show a flattening volume growth in southern Europe and the US. Exports to the rest of the world have been showing excellent growth. Stronger sales of premium beers should boost margins. Recent acquisitions

■ **BTR:** The industrial conglomerate is expected to announce modestly increased pre-tax profits of £1.43bn-£1.45bn, compared with £1.41bn, when it publishes its full-year figures on Thursday. Growth is thought to have been dented by a weak performance in its Taiwanese polymers business Analysts are expected to press Mr Ian Strachan, who became chief executive in January, on when the group will begin to enjoy the benefits of last year's restructuring and disposal programme.

■ **Coats Viyella:** Last year's hot summer in western Europe is expected to drag down annual pre-tax profits at the clothing and textiles group below 1994's £152.4m. Analysts are forecasting about £145m. This year should be better, with analysts expecting more than £160m.

■ **BolsWessanen:** The Dutch drinks and food group is today expected to report 1995 net profit from ordinary operations of between Fl 200m and Fl 201.8m (£80m), ($122m), down from Fl 254.1m. Earnings per share are expected to fall to Fl 2.10 from Fl 3.08 in 1994. Last August, BolsWessanen forecast1994 net profit per share from ordinary activities down about 20 per cent. Second-half results are likely to continue to be depressed by currency effects, particularly the dollar and lira. The market will be awaiting news of possible disposals.

■ **Cathay Pacific:** The Hong Kong-based carrier which is part of the Swire Pacific group is expected to report a healthy increase in 1995 profits today. Analysts are forecasting net profits will rise 15-20 per cent above the HK$2.39bn (£202m) ($309m) achieved in 1994. Stronger economic growth in the region improved cargo and passenger volumes and a change in depreciation policies should all help lift the bottom line. Turnover is expected to show a marked recovery.

CONTRACTS & TENDERS

INTERNATIONAL EQUITIES By Antonia Sharpe

Election blights Spanish sell-off

The unexpected outcome in Spain's general election last week, in which the centre-right Popular Party failed to win the outright majority that opinion polls had predicted, has raised the prospect that its hitherto smooth privatisation programme could be in for a bumpy ride, or stall altogether.

International investors in Spanish equities have not had to contend with the stock market uncertainty which could result from consensus politics – if the PP succeeds in forming a government with the Catalans. If the political uncertainty becomes too great, they could simply turn their backs on Spain as they have done in Italy on many occasions.

The success of the outgoing Socialist administration in building up a equity culture in Spain means that, unlike France and Italy, Spain does not need to rely as heavily on unpredictable international investors when selling shares in state-owned companies. Nor would the new government want to alienate them.

Recent sell-offs have shown the strength of demand among retail investors for privatisation stocks. In the current sale of stock in the banking group, Argentaria, which will halve the state's holding to 25 per cent, the domestic retail tranche is said to be four times over-subscribed.

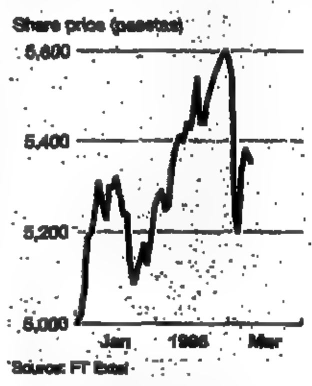
The new government will have to embrace incentives, such as the one-year guarantees against a fall in the share price used by its predecessors, to ensure that retail investors do not become disenchanted with privatisations.

However, the PP is unlikely to pursue a privatisation policy with the same successful pragmatism of the outgoing Socialist administration.

For example, its plans to introduce a privatisation law along the lines of the French legislation are likely to result in a more "programmatic approach", as one banker put it. The law will establish parameters for valuing the company being privatised. Privatisations will also require parliamentary approval.

Argentaria

Share price (pesetas)



Source: FT Extel

One consequence of such a law would be that, like the French, the new government would not be able to move quickly when market conditions are favourable, a strategy which the old government used successfully, particularly over the past year when it sold off shares in Repsol, the oil and gas company, and Telefónica, the telephone company.

The decision to press ahead with the offering of shares in Argentaria at the same time as the election also reflects the old government's pragmatism. Although the domestic timing was risky, from an international point of view, it was spot-on because of the high level of liquidity in the primary equity market.

Perversely, the sharp fall in the Madrid stock market, and in the share price of Argentaria, appears to have worked in Argentaria's favour.

"The sell-off in the market was healthy and investors who weren't looking at Argentaria at the higher level of Pta5,600 (£29.31) are now more attracted to the valuation story," said one banker involved in the transaction.

In addition, since it is likely to take many months for the PP to pass its privatisation law, this may be the last Spanish privatisation for some time.

See Lex

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 8 1996 US Dollar Index	% chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY MARCH 7 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	199.13	4.8	193.43	133.20	153.59	172.39	1.6	3.96	198.44	192.29	132.09	152.57	172.96	202.74	158.79	161.12
Austria (26)	183.67	5.2	178.41	122.86	141.66	141.51	9.0	1.82	184.50	178.78	122.82	141.86	141.69	199.28	168.11	192.22
Belgium (34)	212.21	1.5	206.14	141.96	163.68	159.67	6.2	3.39	213.81	207.18	142.33	164.39	160.26	215.81	175.87	175.81
Brazil (28)	147.48	6.9	143.26	98.65	113.75	267.01	8.2	1.73	148.72	144.11	99.00	114.35	269.43	170.25	86.06	94.43
Canada (101)	153.61	3.5	149.22	102.76	118.48	152.03	3.7	2.47	155.36	150.54	103.42	119.45	154.30	158.71	128.91	126.91
Denmark (33)	295.54	2.3	287.09	197.70	227.95	230.44	5.9	1.86	299.76	290.47	199.54	230.47	232.90	305.17	252.41	263.88
Finland (24)	180.06	-3.8	174.91	120.45	138.88	174.31	2.2	2.82	181.38	175.74	120.73	139.44	175.01	276.11	171.13	182.00
France (98)	186.75	4.1	181.40	124.92	144.04	148.83	6.1	3.09	190.02	184.13	126.49	146.10	150.98	191.17	161.53	167.21
Germany (60)	171.06	4.5	166.17	114.43	131.94	131.94	8.3	1.86	172.23	166.90	114.66	132.42	132.42	173.79	142.25	153.04
Hong Kong (59)	438.78	13.2	426.22	293.51	338.43	435.61	13.2	3.28	438.14	424.57	291.66	336.87	435.02	451.19	323.87	324.06
Ireland (16)	261.59	2.4	254.11	174.99	201.77	235.02	4.8	3.41	265.00	256.79	176.40	203.74	237.51	265.00	205.44	210.73
Italy (59)	74.69	1.3	72.55	49.96	57.61	87.14	-0.2	1.78	76.39	74.02	50.85	58.73	88.85	82.71	65.45	72.68
Japan (482)	146.92	-5.2	142.71	98.28	113.32	98.28	-2.7	0.78	146.24	141.71	97.35	112.44	97.35	164.82	137.75	147.87
Malaysia (107)	542.07	11.7	526.56	362.61	418.10	530.69	11.9	1.60	548.83	531.82	365.34	421.97	536.57	561.98	426.77	463.14
Mexico (18)	1046.55	1.0	1016.61	700.07	807.21	8690.56	-0.4	1.60	1086.16	1052.50	723.03	835.10	8995.10	1237.14	647.81	699.52
Netherland (19)	278.02	1.9	270.06	185.97	214.43	210.78	5.6	3.26	281.58	272.85	187.44	216.49	212.61	283.23	227.78	232.41
New Zealand (13)	80.52	1.1	78.21	53.86	62.10	63.29	-2.2	4.71	79.37	76.92	52.84	61.03	62.53	85.49	72.39	72.62
Norway (33)	236.61	2.3	229.84	158.28	182.50	207.13	4.4	2.46	239.65	232.23	159.53	184.26	209.20	243.79	202.78	207.53
Singapore (44)	435.58	7.0	423.09	291.36	335.95	282.71	6.5	1.43	436.57	423.04	290.61	335.66	283.41	465.21	346.10	349.57
South Africa (45)	386.08	0.2	375.03	258.26	297.79	331.42	8.0	3.13	385.96	374.00	256.93	296.75	330.27	437.76	318.91	323.15
Spain (37)	167.41	1.3	162.62	111.99	129.12	158.31	4.3	3.62	167.31	162.13	111.38	128.64	157.63	175.88	124.10	127.67
Sweden (47)	326.45	4.8	317.11	218.37	251.79	326.96	7.4	2.32	333.82	323.48	222.22	256.66	335.34	342.58	232.23	237.55
Switzerland (39)	241.96	2.5	235.04	161.86	186.63	180.53	7.2	1.50	243.83	236.09	162.18	187.32	181.45	243.63	171.94	179.09
Thailand (46)	179.78	6.8	174.63	120.26	138.66	175.97	7.0	1.94	180.90	175.30	120.42	139.09	177.00	193.95	130.15	137.06
United Kingdom (205)	229.23	-0.6	222.67	153.34	176.80	222.67	1.1	4.20	232.55	225.35	154.80	178.80	225.35	235.50	193.41	196.88
USA (631)	258.92	3.0	251.51	173.20	199.71	258.92	3.0	2.24	267.16	258.88	177.84	205.41	267.16	269.11	197.58	197.58
Americas (778)	236.05	3.1	229.29	157.90	182.06	198.42	3.1	2.24	243.36	235.82	162.00	187.11	204.59	245.54	180.09	180.24
Europe (730)	204.34	1.7	198.49	136.69	157.61	177.60	4.5	3.05	206.93	200.52	137.75	159.10	179.36	206.93	169.63	173.83
Nordic (137)	283.61	2.8	275.50	189.72	218.75	247.99	6.1	2.26	288.76	279.81	192.22	222.02	251.68	295.02	222.22	229.00
Pacific Basin (832)	160.96	-2.5	156.35	107.67	124.15	110.56	-0.7	1.21	160.39	155.42	106.77	123.32	109.79	171.87	148.86	155.29
Euro-Pacific (1562)	178.93	-0.9	173.81	119.69	138.01	135.92	1.7	2.09	179.69	174.12	119.61	138.15	136.07	183.39	158.92	162.92
North America (732)	252.41	3.1	245.18	168.84	194.68	251.75	3.1	2.25	260.28	252.20	173.25	200.11	259.62	262.26	193.22	193.22
Europe Ex. UK (525)	185.91	3.0	180.59	124.36	143.39	151.75	6.5	2.43	188.09	182.26	125.20	144.61	153.07	188.09	152.92	157.32
Pacific Ex. Japan (350)	289.16	9.3	280.89	193.43	223.03	252.36	8.2	2.95	289.43	280.46	192.67	222.53	253.03	293.59	229.25	229.25
World Ex. US (1754)	180.15	-0.4	174.99	120.51	138.95	140.00	1.8	2.12	180.97	175.36	120.46	139.14	140.21	184.71	159.65	162.78
World Ex. UK (2180)	201.96	1.2	196.18	135.10	155.77	169.45	2.5	1.97	205.26	198.90	136.63	157.81	171.93	207.64	170.18	170.84
World Ex. Japan (1903)	235.99	3.0	229.23	157.86	182.02	222.75	4.0	2.57	241.23	233.75	160.58	185.47	227.52	242.17	187.55	189.31
The World Index (2385)	204.39	1.0	198.54	136.72	157.64	174.24	2.4	2.17	207.69	201.25	138.25	159.68	176.75	209.73	172.24	173.14

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.84 (Local).

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MARKETS: This Week

NEW YORK By Richard Tomkins

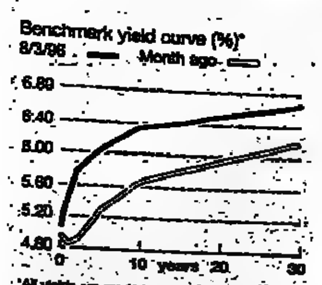
Today will be an anxious day in the US equity and bond markets. For weeks, investors have been living in the hope and expectation that the Federal Reserve would move to cut interest rates in the not-too-distant future.

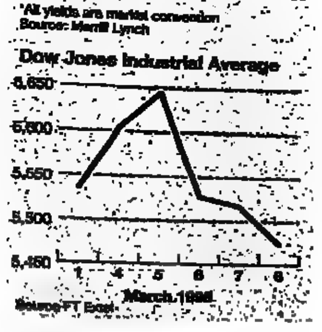
Those hopes were dealt a blow on Friday with the publication of a surprisingly strong employment report, suggesting that the economy was growing more quickly than previously thought and raising the possibility that the next move in interest rates could be up rather than down.

The response was a selling frenzy: the benchmark 30-year long bond tumbled 3 3/32 to 90% and the Dow Jones Industrial Average followed it, closing 171.24 points down at 5,470.45.

This week, traders will probably start by regrouping and consolidating their positions as they try to determine where the markets will go next. Their main concern will be to establish whether Friday's employment report was an aberration or its implications are confirmed by economic data to be published this week.

Today's figures for new home sales could provide some food for thought – the consensus forecast is 635,000 new homes in January – but the week's most important data will be figures for producer prices on Thursday





and consumer prices, industrial production and capacity utilisation on Friday.

Salomon Brothers thinks these inflation indicators will turn out to be relatively benign: softer energy prices and stable food prices should limit the advance in the February producer price index to just 0.1 per cent, it says, and it predicts an increase of only 0.2 per cent in the February figure for consumer prices. If these predictions are fulfilled, the markets could be in for a reprieve.

LONDON By Philip Coggan

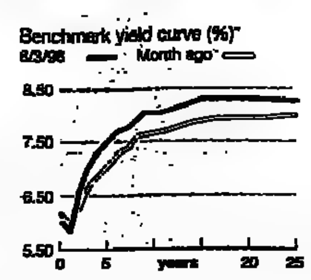
Bond and equity markets in London will start the week in a nervous mood after Friday's sharp falls on Wall Street which followed the publication of stronger-than-expected US employment data.

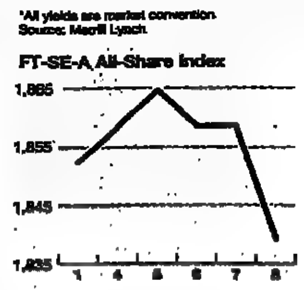
The data raised doubts as to whether the US Federal Reserve would continue to cut interest rates, one of the factors which had been driving the international bull market. The UK base rate cut was almost forgotten in the turmoil.

But there are signs that the market believes Friday's quarter of a percentage point cut to 6 per cent will be the last for this cycle. On Friday, the short sterling future indicated that traders were expecting rates to climb back to 6.5 per cent by the year end.

Tax and interest rate cuts, combined with building society distributions and Tessa withdrawals could revive consumer spending and economic activity later this year. That would negate the need for further cuts.

Bond yields, which have been rising since the start of the year, indicate that investors think the authorities have also done enough to stimulate the world economy. Gilts have suffered particularly badly; Friday's 1¾ point fall took the yield on the benchmark 10-year issue to 8.11 per cent.





Economic data this week, notably industrial production and producer prices numbers today and average earnings numbers on Wednesday, will be watched closely for signs that the chancellor was taking risks with inflation when he authorised Friday's rate cut.

The results season was overshadowed by economic news last week, although Glaxo disappointed investors. This week sees figures from Prudential, Williams Holdings, Reed International, BTR and Reckitt & Colman.

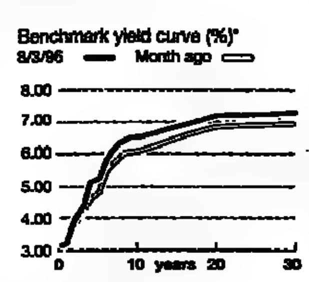
FRANKFURT By Wolfgang Münchau

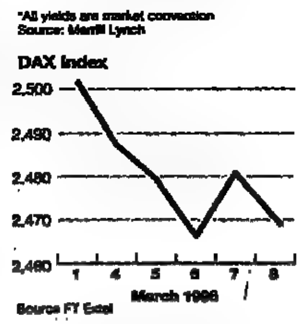
The main point of interest in German financial markets this week will be the Bundesbank's council meeting on Thursday. With the continued weakness in the Germany economy and an absence of inflationary pressures, there is speculation of further cuts in the discount and Lombard rates, even though at 3 and 5 per cent respectively they are already at a low point compared with previous cycles.

Most German-based banking economists believe the Bundesbank will hold rates steady this time and wait until next month, by which time it will have the opportunity to study the February M3 release. However, observers are careful enough to hedge their bets, especially in view of last week's comments from Mr Hans Tietmeyer, president of the Bundesbank.

Mr Tietmeyer hit out against some monetarist zealots in Germany who have been urging a rate rise on the grounds that Germany has reached a cyclical low and that the Bundesbank should prepare for the next upswing.

He said the monetary environment did not justify higher rates. On the contrary, he added, the Bundesbank would take its time to consider whether and when to reduce rates. This has been interpreted as a pointer towards a rate cut.





One of the reasons the Bundesbank might want to wait is the bond market's continued nervousness.

The markets remain sceptical about European Monetary Union, especially in view of a recent D-Mark bond issue flop.

Interest rates are also a focus of interest in the German equities market, which have behaved nervously lately, influenced greatly by external factors, such as last week's pharmaceutical merger in Switzerland.

TOKYO By Emiko Terazono

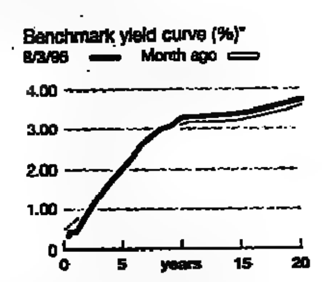
While the authorities brushed aside concerns about last week's plunge on Wall Street during the weekend, caution is likely to prevail among investors. Last week's decline in US bond and equity prices will affect confidence at a time when uncertainty over the Japanese budget and lingering fears of a rise in long-term interest rates have weighed on Tokyo markets.

Profit-taking by banks and corporate investors looking to prop up earnings by realising gains on their portfolios ahead of the March book-closing will also continue to cap prices.

Expectations of a firm US economy will lead to hopes of strong export growth for Japanese companies which in turn implies strong corporate earnings. Although the bond market is likely to see underlying support from low short-term rates and is unlikely to plunge, a rise in positive sentiment for the Japanese economy is likely to prevent active purchases.

Meanwhile volatility on the US markets will increase anxiety on the equity markets. US investors have been the main force behind the Tokyo market's rise over the past year. Last week, selling of high-technology stocks by overseas investors briefly depressed the benchmark index below the 20,000 level.

Another concern among



equity investors is the potential supply. Long arbitrage positions held against futures contracts still total some 3bn shares. The decline in the Nikkei 225 futures in Chicago could prompt unwinding of such positions, triggering widespread selling.

Equity prices are already pressured by uncertainty over the budget bill, which contains public fund support for the government's liquidation scheme for the ailing housing loan companies.

COMMODITIES By Kenneth Gooding

Big week in prospect for gold

If stock markets collapse this week will gold play its traditional role as a safe haven and show a big jump in price?

Gold was already rising on Friday and closed in London at $395.50 a troy ounce. Some analysts suggest worries about wobbly stock markets will see more "hot" money directed towards the market and the $400 an ounce barrier might be broken again.

However, the omens are not so good for gold bulls if the retreat from equities is substantial. When stock markets crashed in 1987, the gold price briefly picked up but then went quickly into reverse.

Gold bulls explained that the metal was still doing its job as a "safety provider" because investors were selling gold for the cash to cover margin calls on stock exchanges.

Gold made a turbulent start to 1996, starting at $378 and jumping to $415.40 an ounce before subsiding to a two-month low of $393.70 in London a week ago.

Ms Rhona O'Connell, analyst at stockbroker T Hoare & Co, suggests that gold was simply experiencing its annual February bouts of weakness because the Chinese lunar new year and the post-Ramadan celebrations meant that countries which account for roughly 60 per cent of physical demand for the metal were not trading last week.

There are at least three events this week where the gold price will loom large. The Australian Gold Conference opens tomorrow in Kalgoorlie, Western Australia, within an easy drive of some of the world's most profitable gold mines.

Delegates to the annual convention of the Prospectors & Developers Association of Canada started arriving in Toronto yesterday. Gold is still the prospectors' favourite target.

Meanwhile, with what turns out to be impeccable timing, the Platt's Metals Week publication has organised a "Making Sense of the Precious Metals Markets" seminar, starting today in San Francisco.

This will be a more esoteric affair than the gold conference or the PDAC meeting but it should throw more light on gold's behaviour when stock markets are in crisis.

OTHER MARKETS Compiled by Michael Morgan

BRADY BONDS

Emerging-market bond dealers will be closely watching US Treasuries this week after the rout in the US market on Friday sent Brady bond prices into a tail-spin, *writes Conner Middelmann.*

"Treasuries will continue to dominate the markets – as they have done in the past two weeks," said Mr Peter West, economic adviser at West Merchant Bank (WMB) in London. The WMB Index of secondary market prices of emerging-country debt fell 2.1 per cent on Friday to below end-1995 levels, wiping out the gains of the first few weeks of 1996.

Brazilian bonds have been under pressure against the background of a probe into Banco Nacional's losses and last week's failure to pass a social security reform bill.

This week, attention will be on Venezuela, whose President Rafael Caldera will make his annual address to Congress and may give some indication on the progress of the country's talks with the IMF.

In Argentina, the lower house of Congress will vote on the government's request for special tax powers, the main element of which is holding the VAT rate at 21 per cent rather than cutting it to 18 per cent, as is programmed.

JOHANNESBURG

Investors keenly courted by the world's emerging markets will look to the South African finance minister, Mr Chris Liebenberg, for a renewed commitment to control public spending when he presents the national budget to parliament on Wednesday, *writes Mark Ashurst.*

Exactly one year after the abolition of the financial rand, reserve bank governor Chris Stals concedes that last month's devaluation of the rand favours the abolition of exchange controls. But he remains firmly committed to a gradualist approach.

Rising public debt, which this year reached 58 per cent of GDP, and a 14 per cent rise in the money supply, require measures to dampen consumption.

However, Mr Liebenberg will be constrained by both the political ramifications of raising VAT and the constitutional veto on cutting back the civil service, the biggest component in the current account.

Reforms to the secondary tax on companies, currently 25 per cent, and a controversial levy on income from pension funds have been widely forecast. Brokers are also confident of a reduction in the 1 per cent marketable securities tax to help improve liquidity.

ZURICH

Wall Street apart, attention will remain on pharmaceuticals after last week's merger between Sandoz and Ciba.

The market, already at an all-time high on Wednesday, shot up another 5.1 per cent as the details of the deal became known on Thursday. The merger took the market by surprise in spite of the synergies between the companies.

"It showed," says Mr Mirko Sangiorgio, head of equities research at Pictet, the private Geneva bank, "that the impossible had now become possible." It also demonstrates, a number of analysts insist, that Swiss management is becoming increasingly open minded on issues of shareholder value.

HONG KONG

The market could be in for a roller-coaster week as investors assess the impact of China's missile firing off Taiwan and check on the likelihood of a cut in US interest rates after Friday's jobs data, *writes Louise Lucas.*

Corporate earnings will also be a key feature of trading. Cathay Pacific today reports on 1995 earnings and 18 per cent growth in profits to HK$2.81bn is forecast. Cathay's majority owner, Swire Pacific, announces its finals on Friday.

Towards the end of last week prices began to fall due to a mix of the "Taiwan effect" and rising US bond yields. Turnover also fell, and the week ended with Friday showing a marginal gain on slim HK$3.92bn turnover. Many brokers reckon the rally may now be running out of steam.

CURRENCIES By Philip Gawith

Traders cautious ahead of US inflation statistics

The point of departure for currency markets this week is sure to be last Friday's US employment report.

The dollar's response to the much higher than expected payrolls growth was very modest. But markets still need to decide whether the stronger growth, higher interest rate scenario favours the dollar, or a lower growth environment, which is more bond-friendly.

Many observers believe that for the dollar to break out of its recent trading range, a trend increase in the differential between US and German real long-term rates is required. With the US economy apparently growing faster than previously thought, and recent German output and employment data pointing towards recession, the ingredients may be falling into place.

That said, US inflation data due this week should confirm that prices remain subdued. There are still some observers who believe the Federal Reserve will cut interest rates when it meets on March 26, although Friday's buoyant payroll figure will have made this less likely.

The current account figures out tomorrow should help the dollar if, as expected, they show the US's deficit continuing to shrink. On the other hand, if talk of the federal government shutting down again comes to dominate as the weekend approaches, this will cap any dollar rally.

Also relevant to the dollar is the Bundesbank council meeting on Thursday. Most observers believe another cut in interest rates is likely, but March 28 is a favoured date, by which time the February money supply data will have become available.

Lower rates would most likely favour the dollar and peripheral European currencies, but the possibility remains that if last Friday's sell-off in US asset markets continues, the dollar will also be dragged lower.

Elsewhere, the South African rand will remain in focus, with traders wary that the budget on Wednesday could contain some further announcement about the relaxation of exchange controls.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Kvaerner (Norway)	Trafalgar House (UK)	Construction	£904m	Cash offer
ICI (UK)	Bunge Paints (Argentina)	Paints	£253m	First big LatAm buy
BSkyB (UK)	Premiere (Germany)	Broadcasting	£175m	Needs Kirch approval
Emap (UK)	Télé Star (France)	Publishing	£142m	Consumer mag move
IBM (US)	Data Sciences (UK)	Computer	£95m	Pre-float swoop
Tesco (UK)	Unit of Kmart (US)	Retailing	£77m	Czech/Slovak buys
McKechnie (UK)	Plexicor (Australia)	Plastics	£14.2m	Strategic growth sought
GWR (UK)	Prospect (NZ)	Radio	£11.6m	Asia-Pacific debut
Lynx Holdings (UK)	Tesoft (Spain)	Computer services	£6.44m	European platform

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 8, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7249.46	4750.00	3201.67	4468.54
Albania	(Lek)	149.389	97.8500	65.9544	92.4640
Algeria	(Dinar)	81.8210	53.6108	36.1357	50.6800
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	368.908	242.380	163.373	229.038
Greenland	(Danish Krone)	8.7494	5.7330	3.8642	5.4174
Grenada	(E Carib $)	4.1208	2.7000	1.8199	2.5514
Guadeloupe	(Local Fr)	7.7538	5.0805	3.4244	4.8009
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	52.5365	34.4266	23.2040	32.5306
Panama	(Balboa)	1.5262	1	0.6740	0.9450
Papua New Guinea	(Kina)	2.0785	1.3608	0.9170	1.2856
Paraguay	(Guarani)	3067.86	2010.00	1354.81	1899.36
Peru	(New Sol)	3.6010	2.3595	1.5904	2.2296
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

JCI Limited

H.J.Joel Gold Mining Company Limited

(Registration number 05/01995/06)
("H.J.Joel" or "the Company")
(Incorporated in the Republic of South Africa)

TERMS OF THE RIGHTS OFFER

Further to an announcement dated 1 March 1996, H.J. Joel is to proceed with a rights offer of 164 606 848 new ordinary shares of one cent each to be issued at a subscription price of 250 cents per share on the basis of 84 new ordinary shares for every 100 ordinary shares held in H.J. Joel at the close of business (16:00) on Friday, 15 March 1996 ("the offer"). The proceeds of the offer amounting to R411.5 million (before expenses) will be used to assist in the funding of the capital expenditure associated with the Company's mine plan and to repay existing debt obligations.

JCI Limited ("JCI") and its subsidiaries, Anglo American Corporation of South Africa Limited ("AAC") and its subsidiaries and Suid Afrikaanse Nasionale Lewensassuransie Maatskappy ("SANLAM") effectively hold 107 986 957, 19 345 474 and 8 667 104 ordinary shares, respectively, of the issued ordinary shares in H.J. Joel. JCI, AAC and SANLAM have undertaken to subscribe for their full entitlements and to procure subscription for the full entitlements of their subsidiaries and/or associates in terms of the offer. Subject to certain conditions including, *inter alia*, the approval of the offer by The Johannesburg Stock Exchange ("the JSE"), the balance of the offer will be fully underwritten by JCI and AAC.

Application has been made to the JSE for a listing of the renounceable (nil paid) letters of allocation and for a listing of the new ordinary shares. The offer is conditional upon such listings being granted and upon registration of the appropriate documentation by the Registrar of Companies in South Africa.

On behalf of the Board
W A Nairn
J F Brownrigg

Johannesburg
11 March 1996

SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE
TEL: (301) 3311456 - 3245674 REUTERS PAGES: ATGG-H-I
FAX: (301) 3252241 - TELEX 210733 ATRA GR TELERATE PAGES: 17880-1-2
Contact Name: Mr John Marcopoulos/Ms Athina Dessypri

ATHENS STOCK EXCHANGE March 1st - March 8th 1996 GREECE

ASE INDEX	998.65	P/E 95e (after tax)	13.4	GDP (USD bn) 95e	106.76
%Chg (Prev. Wk)	-1.22	P/E 94 (after tax)	15.3	Per Capita Income (USD)	10,804
Yearly High	1026.02	EPS GROWTH (%) 95e	19	Inflation Rate (% Y.O.Y. January 96)	8.40
Yearly Low	898.44	P/CE 95e/94	11.6/12.4	12 Month T-bill (%, end of February issue)	13.48
WEEKLY VOLUME (USD m)	155.66	P/BV 95e/94	2.8/2.4	1-Month Athibor (%)	13.81
1 YR Wk Avg. (USD m)	123.66	Div. Yield (%) 95e/94	5.0/4.8	GRD/US$	241.52
				A.S.E. Market Capitalisation - 03/96 (USD bn)	18.11
				IPOs & Rights Issues (in USD m) 1 Jan 96 - 8 Mar 96	47.69

MARKETS: This Week

EMERGING MARKETS By Peter Montagnon and Laura Tyson in Taipei

Chinese cloud over Taiwan stocks

Taiwan's stock market took a hammering last week from news of Chinese missile tests in waters just off China's two largest ports. But by Friday, when the first missiles actually fell, a more positive tone had crept into trading. The Taiex index rose 54.35 points to 4,805.9, adding a further 4.42 points on Saturday.

Whether this marks the start of a sustained rally is open to doubt. The immediate cause of the recovery was buying from the government's NT$200bn stabilisation fund together with a modest relaxation of central bank reserve requirements. The latter should free up some funds for banks to lend to first-time home buyers.

That may help offset the missile fright, but the scenario on which many investors had been working until last week has now been thrown into question. The hope had been that the Presidential election on March 23 would see an end to tension with China. The capital which left the country after the first missile tests last July would start to flow back and the market would revive.

But there is a growing conviction that China will not abandon its hard line in the short term. Central bank intervention to hold the Taiwan currency at its floor of NT$27.50 suggests a further drain on liquidity. If that continues, the market will have a long wait for a serious boost.

The corporate sector is in the doldrums. A sharp fall in the price of semiconductors is likely to affect electronics sector profits and the financial sector is suffering from weakness in the property market and bad debts in the banking system, which total some 3 per cent of average loan books. So, even though the market has fallen sharply since its high of 7,051 at the start of 1995, equities do not look cheap.

Ms Ellen Miao of National Investment Trust says earnings are likely to grow by a modest 9 per cent or so this year, putting the market on a prospective P/E of 16.

Mr Thomas Chien of James Capel says prospective multiples on blue chips are lower, in the range of 9 to 12. They could drop further as earnings expectations for electronics companies are revised downwards. Share prices are not expensive, he says, but nor are they particularly attractive compared with other markets.

Most analysts are now looking for a sustained recovery only in the second half of the year, and many expect the rocky ride to continue as the political situation remains tense. That is a reflection of tightening liquidity in response to the capital out-flow and of a lack of confidence.

"The share market has neither the cash nor the fundamentals to rebound with," says Mr Peter Kurz of Barings. Domestic credit outstanding fell 0.35 per cent in February, though weakness in loan demand was also influenced by the lunar new year.

It is tempting to draw a comparison with the asset bubble in Japan. The consequences of that for the stock market and the banking system have been dire. But says Mr Sean Chen, director general of the finance ministry's Bureau of Monetary Affairs, there are a number of reasons why Taiwan's case is different.

Although there are 800,000 empty housing units in Taiwan, property prices have fallen less sharply than those in Japan. Since buyers are less heavily indebted, the risks banks have taken are smaller.

The strains facing the banking system may, therefore, be more manageable than those facing Japan. Still, weak loan growth calls for further monetary relaxation, which may be difficult to implement with the currency under pressure.

Some economists feel the risk of devaluation may be growing. Reserves have fallen by $10bn to $90bn since last summer and Taiwan needs a large cushion because it has no IMF membership. At some point it might decide devaluation is the only way to resolve its policy dilemma.

Analysts and fund managers say the market's upside is limited till liquidity returns. National Investment's Ms Miao says she prefers to be selective but there is some value in smaller capitalisation growth stocks. Mr Joseph Chou, her colleague, says bill finance companies are heavily geared to an eventual drop in rates.

In contrast, Mr James Hsu of Fubon Securities Investment Trust prefers liquid blue chip companies outside the electronics sector but the market will always be volatile, he says, because many of its companies are dependent on highly cyclical products.

Part of the art is to watch the cycle, and part is to watch money market liquidity. In the absence of that, not even last month's relaxation of restrictions on foreign purchases of Taiwanese stocks is likely to make much difference.

Polish brewer's issue plan sparks row

Poland's Securities Commission has approved a new share issue by Okocim, one of the country's two listed breweries, despite charges that the capital increase is designed to dilute a 25 per cent strategic stake held by Brau und Brunnen, Germany's largest brewer, writes Christopher Bobinski in Warsaw.

Brau und Brunnen, which has held the stake for two years, is going to court to have the shareholder meeting's decision on the issue of between 3.6m and 10m shares annulled. Mr Michael Brendscheidt, head of Brau und Brunnen, says he was misled by Okocim, which asked him to waive B&B's rights to a quarter of the new issue on the understanding that the stake would be reserved for the company, anyway. "They said it would speed up the issue" Mr Brendscheidt says. Okocim is resisting a demand by Brau und Brunnen to call a new share holders meeting.

Okocim last year controlled 9.3 per cent of the domestic beer market and reported a 14.1m zloty ($5.5m) net profit, which it says will rise to 16m zlotys this year.

Brau und Brunnen, which fears its holding could be reduced to 14 per cent as a result of the issue, says it will purchase shares on the stock market to restore its stake if necessary.

ING BARINGS SECURITIES EMERGING MARKETS INDICES

Index	8/3/96	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (395)	182.77	-1.20	-0.78	-7.90	-4.91	+6.21	+3.53
Latin America							
Argentina (22)	92.53	+4.08	+4.61	-7.29	-7.30	-0.25	-0.27
Brazil (23)	200.93	-8.16	-3.90	-22.52	-10.08	+14.90	+8.01
Chile (16)	178.58	-3.72	-2.04	-8.74	-4.66	-17.09	-8.73
Colombia (14)	162.41	-7.24	-4.27	-7.16	-4.22	-1.83	-1.12
Mexico (23)	74.69	-0.14	-0.18	-5.59	-6.96	+1.10	+1.49
Peru(14)	1,048.82	-30.35	-2.81	-133.99	-11.33	-20.13	-1.88
Latin America (112)	125.30	-1.92	-1.51	-11.10	-8.13	+2.16	+1.76
Europe							
Greece (18)	109.93	-2.34	-2.09	+4.07	+3.84	+11.96	+12.21
Portugal (20)	128.13	-1.17	-0.92	-0.52	-0.41	+8.67	+7.45
Turkey (26)	110.98	-3.31	-2.90	+5.98	+5.69	+28.16	+34.01
South Africa (32)	155.06	-1.02	-0.65	-15.81	-9.25	+1.71	+1.12
Europe (96)	127.06	-1.23	-0.96	-8.79	-6.47	+5.52	+4.54
Asia							
China (24)	48.04	+0.02	+0.05	-0.54	-1.11	+7.72	+19.14
Indonesia (32)	144.78	-7.23	-4.76	-13.23	-8.37	+6.14	+4.43
Korea (23)	132.28	+1.09	+0.83	-4.98	-3.63	-4.62	-3.38
Malaysia (24)	250.56	+6.46	+2.64	+9.78	+4.06	+23.75	+10.20
Pakistan (14)	88.42	-0.19	-0.21	+2.06	+2.39	+14.82	+20.14
Philippines (14)	292.29	-6.37	-2.13	+1.73	+0.60	+33.13	+12.78
Thailand (25)	257.99	-0.82	-0.32	-17.34	-6.30	+6.10	+2.42
Taiwan (31)	124.04	-1.08	-0.86	+3.26	+2.70	-6.78	-5.18
Asia (167)	212.53	-0.13	-0.06	-2.36	-1.10	+9.45	+4.57

All indices in $ terms, January 7th 1992=100. Source: ING Barings Securities.

DERIVATIVES By Samer Iskandar

Exchanges face challenge of a single currency

A move to a single currency would undoubtedly be the most important challenge facing European derivatives exchanges in coming years, as convergence of economic and monetary policies would lead to lower interest rate and exchange rate volatility.

And the threat of lower trading volumes eating into exchanges' revenues could lead to cut-throat competition for a larger share of the remaining transactions.

The Matif, the French futures market, is aware that some of its foreign exchange options are ultimately condemned. Assuming national currencies were effectively replaced by the euro on January 1 1999, options on D-Mark/$ and FFr/$ parities would give way to a single euro/$ product and the D-Mark/FFr option would have to be scrapped.

Depending on the final convergence timetable, the Matif's D-Mark/£ and D-Mark/Italian lira contracts would eventually have to be abandoned as well.

Matif officials are well aware of the mounting pressure and are working on strategies to compensate for the business the exchange is bound to lose.

They are not eager to discuss these plans, but a new currency product could be in the pipeline, possibly a yen-related option. Also, rumours have recently circulated in Paris, of the imminent launch by the Matif of a currency future.

What Matif executives have said is that they believe there is room for just one leading European exchange for currency derivatives, and that this position is up for grabs.

Hopes are high that combining the volumes of D-Mark/$ and FFr/$ transactions could make the euro/$ contract particularly liquid, and help lay the foundations for a large European currency-derivatives exchange.

The Matif's high hopes for its transatlantic products were further reflected in its decision, last Friday, to create new "semi-strike prices" on D-Mark/$ and FFr/$ options, effectively doubling the number of contracts listed and offering additional flexibility.

The fiercest battle will be fought over short-term interest rate futures and options. Indeed, if European monetary union proceeds as planned, the underlying rates for these instruments will be abandoned in favour of a single rate of reference for the euro.

However, each exchange currently lists at least one contract on three-month rates – Pibor in Paris, Fibor in Frankfurt, euromark and short sterling in London – while experience shows that similar contracts can rarely co-exist; the first one out usually keeps the lead, as was the case when the DTB, the German futures exchange that is part of the Deutsche Börse, tried to introduce its Fibor contract to compete with Liffe's highly-successful euromark future.

Short-rate futures are nevertheless vital products for the exchanges that list them. In 1995, Pibor futures were the second most actively traded products on the Matif, accounting for almost a quarter of total volume.

On Liffe, euromark and short sterling futures and their related options accounted for 36 per cent of total trading in February 1996.

Liffe officials believe they are ahead of other exchanges, pointing out that the December 1998 euromark future shows open interest of over 11,000 lots, as opposed to less than 2,000 lots for the same maturity of the Matif's Pibor contract.

Mr John Foyle, deputy chief executive of Liffe, expects this situation to be maintained on the next contract month, which is due to expire in March 1999, in what could be a single currency environment.

Other exchanges do not fear any loss of business, and some even hope to benefit from European monetary union.

The DTB is one of those. Its three-month Fibor future has never lived up to expectations and accounts for less than 1 per cent of total volume. So losing it would barely affect revenues.

The Frankfurt-based exchange's hopes lie elsewhere. According to a Deutsche Börse spokesman, efforts will be concentrated on making the successors to bund and Bobl futures benchmarks for exchange-traded derivatives on medium and long-term interest rates on the single European currency.

Also, the DTB relies heavily on equity-related contracts, and "these are traditionally immune to international competition", said the spokesman.

Incidentally, equity-related products are the cornerstone of the current negotiations between the DTB and the Matif, and the two markets are expected to disclose further intentions of co-operation in coming weeks.

An official of Monep, the French market where equity and index options are traded, agrees that "options on individual stocks are a protected domestic market". She expects Monep to benefit from Emu, perhaps in the form of new options on European share indices.

But considering that such attempts have been made before by other markets, and always unsuccessfully, any decision by Monep to launch a cross-border product could only be a medium to long-term project.

European exchanges are not alone in facing uncertainty over Emu. In the US, the Chicago Mercantile Exchange's International Monetary Market and the Philadelphia Stock Exchange both list European currency-related derivatives.

Chicago's IMM trades a number of futures contracts on parities of the dollar against major European currencies and cross-rates, as well as options on these futures.

IMM executives have chosen a gradual approach to Emu and will substitute the euro for national currencies in its products on a case-by-case basis, as countries individually adopt the euro.

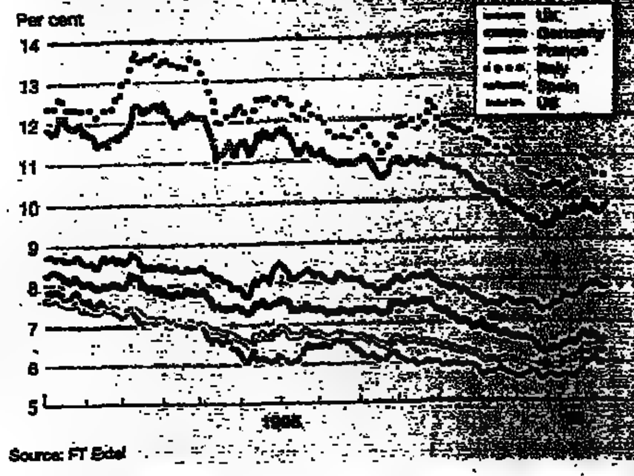
A new $/euro contract is likely to be much more actively traded than each existing contract taken separately, but IMM officials admit that total volumes will almost certainly fall.

However, Mr Norman Mains, the IMM's head of research and chief economist, feels no urgency as he is "not convinced that monetary union will happen"... at least, almost certainly not in 1999. This is an opinion he shares with Mr Joseph Rizzello, executive vice-president of the Philadelphia Stock Exchange.

The IMM is even in the process of launching new futures contracts on cross-rates for D-Marks against Italian lire, Swedish crowns and Spanish pesetas.

In the longer run, the Chicago-based market intends to create additional futures on the rates of exchange of these three European "high-yielding currencies" against the dollar.

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	[illegible]	[illegible]	[illegible]
Discount	5.00	0.50	[illegible]	5.60
Overnight	5.19	0.38	3.31	3.75
Three month	5.05	0.63	3.27	4.10
One year	5.41	0.76	3.30	4.30
Five year	6.04	[illegible]	[illegible]	[illegible]
Ten year	6.38	3.09	6.56	6.66

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Kingdom of Sweden	500	Mar 2001	5.75	99.53R	5.861	+20(5⅝%-01)	Paribas Capital Markets
Inter-American Dev'ment Bank	1bn	Mar 2006	6.125§	99.117R	6.245	+29(5⅝%-05)	Merrill/SBC Warburg
Telenor	200	Mar 2001	5.75	99.563R	5.863	+24(5⅝%-01)	JP Morgan Securities
Loxley(a)§	110	Apr 2001	2.50	100.00	-	-	Jardine Fleming
Banco Safra(f)	100	Mar 2004	9.00#	99.85R	9.027	+337(5%-98)	UBS
Swedish Export Credit	100	Mar 1997	5.00§	100.025	4.974	-	Lehman Brothers Intl
SüdwestLB Capital Markets	500	Mar 2001	5.875	99.658R	5.958	+18(5⅝%-01)	M.Stanley/SBC Warburg
Merrill Lynch & Co	200	Mar 2000	6.00	99.93R	6.020	+43(l)	Merrill Lynch Intl
Federal Home Loan Mtg Crp(k)	500	Mar 1999	5.80#	99.94R	5.822	+34(5%-98)	Salomon Brothers Intl
SocGen Australia‡	300	Apr 1997	(m)	100.00R	-	-	BBST Securities
China Merchants Holdings‡	120	Mar 2001	(n)	100.00R	-	-	LTCB International
Moscow Narodny Finance‡	75	Mar 1999	(o)	99.00	-	-	CS First Boston
D-MARKS							
Würth Finance Intl(s)	200	Mar 2003	6.375	99.59R	6.450	+55(7¼%-03)	DG Bank
BMG	300	Apr 1999	4.25	99.81R	4.319	+12(5¾%-99)	ABN Amro/Goldman
World Bank(s)	300	Dec 1999	4.625	99.92R	4.666	flat(7%-99)	SocGen Frankfurt
De NIB(s)	250	Dec 1999	4.75	101.72	-	-	DG Bank
DSL Bank	250	Apr 1999	4.25	99.63R	4.384	+14(5¾%-99)	UBS Germany
CCCI‡	750	Apr 2003	(p)	99.74R	-	-	CSFB/Deutsche MG
YEN							
America Honda Finance	10bn	Mar 1999	1.95	100.125	1.917	-	JP Morgan Securities
Republic of Italy(s)★	150bn	Mar 2008	3.80	100.00	3.800	+19(5.3%-08)	Daiwa Europe
Swedish Export Credit★	10bn	Apr 2026	(q)	100.50	-	-	Daiwa Europe
Swedish Export Credit★	10bn	Mar 2026	(q)	100.40	-	-	Yamaichi Intl(Europe)
Sakura Capital Funding(r)★‡	20bn	undated	(r1)	100.00	-	-	Sakura Finance Intl
SWISS FRANCS							
UPS of America(s)	200	Oct 1999	3.25	102.15	-	-	Merrill Lynch Cap Mkts
Sao El Intl(Cayman Is)(t)★◊	114.2	Mar 1999	0.125	101.50	-	-	SBC Warburg
WestLB Finance(s)★	100	Oct 1999	3.50	102.30	-	-	SBC Warburg
Province of Ontario(l)	250	Jun 2001	4.00	103.20	-	-	Credit Suisse/Merrill
STERLING							
Lloyds TSB Group	250	Mar 2006	8.50	99.436R	8.586	+60(7½%-06)	Salomon/SBC Warburg
FRENCH FRANCS							
LB Rheinland-Pfalz	1bn	Apr 2006	6.625	99.511R	6.694	+14(l)	CCF
GUILDERS							
Waterschapsbank	250	Mar 2006	6.375	99.17R	6.490	+60(6%-06)	ABN Amro Hoare Govett
BNG	750	Mar 2001	5.25	99.13R	5.453	flat(6¼%-01)	ABN Amro/SBCW
LUXEMBOURG FRANCS							
Deutsche Finance Neth(s)	2bn	Dec 2002	6.00	102.30	3.38	-	BIL
City of Copenhagen	2bn	Apr 2005	6.625	102.30	6.306	-	BCEE/BIL
Oeresundskonsortiet	2bn	Apr 2004	6.375	102.25	6.030	-	BCEE
ITALIAN LIRE							
World Bank(d)	200bn	Apr 1998	9.65	101.17	-	-	BNL/San Paolo, Torino
Kingdom of Sweden(v)	150bn	Feb 2001	10.00	103.181	9.186	-	BCI/JP Morgan Secs
AUSTRALIAN DOLLARS							
Morgan Guaranty Tst Co of NY	135	Apr 2001	8.00	101.486	7.632	-	SBC
Bayerische Vereinsbank	100	Apr 1999	7.50	100.825	7.185	-	Hambros Bank
National Australia Bank(g)	100	Apr 2001	8.00	100.775	7.807	-	Hambros Bank
State Bank of New Sth Wales	125	Mar 2000	8.00	101.15	7.655	-	Deutsche Morgan G'fell
ECU							
European Investment Bank(h)	500	Apr 2001	6.00	99.208	6.191	+2(6%-01)	Paribas/CDC/SBCW
Crédit Local de France(i)	50	Dec 1999	6.25	96.268R	5.770	+40(8%-99)	Morgan Stanley Intl
PESETAS							
European Investment Bank	15bn	Apr 2006	9.40	101.42	9.117	-	BBV/SBC Warburg
ESCUDOS							
Eve Finance Co(j)‡	15bn	Jun 2003	(j1)	100.00	-	-	CGD

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Recommended re-offer price. b) 6.3% in A$ or 5.9% in DM or 6% in US$ at issuers option. c) 6.3% in DM, US$ or A$ at issuers option. d) Coupons and principal convertible 1:1 with Euro. e) Conversion price: baht 450. FX: 25.2 baht/$. Redemption price: 127.25%. Callable from 1/4/99, subject to 140% rule, at accreted value. f) Callable and puttable on 28/3/99 & 28/3/01 at 99% & 99½% respectively. g) A$100 launched 20/2/96 was increased to A$200m. h) Fungible with Ecu400m. Plus 95 days accrued. i) Over interpolated yield. j) Backed by 10⅝% Portuguese govt bond due June 2003. j1) 6-mth Lisbor -16bp. k) Callable from 19/3/97 at par. l) Long 1st coupon. m) 3-mth Libor -12½bp. n) 6-mth Libor +110bp. o) 3-mth Libor +100bp. p) Oeffentliche Pfandbrief. q) 3-mth Libor +15bp. r) Callable on coupon dates from Mar01 at par. r1) 3-mth Libor +80bp to Mar01, then +140bp to Mar06 and +190bp thereafter. s) Short 1st coupon. t) Denom: SFr50,000 +50 wrts exercisable into shares of San Shin Electronics at Y1,851. FX: 87.56Y/SFr. u) Callable on 1/4/97 & 98 at par. v) Fungible with L500bn. Plus 44 days accrued. Note: Yields are calculated on ISMA basis.

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THE WEEK AHEAD

UK COMPANIES

■ **TODAY**
BOARD MEETINGS:
Finals:
Automated Security
British Vita
DRS Data & Research
Fairey
Forward Technology
Hibernian
Hiscox Select Insurance
Laporte
Lopex
Merchants Tst
Partco
Pentland
Persimmon
RPS
Refuge
Roxboro
Rugby
Spandex
Spirax-Sarco
Suter
Interims:
Cortecs Int
DCS
Domestic & General
Kleinwort Development Fd
Redrow

■ **TOMORROW**
COMPANY MEETINGS:
Shani, Marriott Hotel, 10, Grosvenor Square, W., 12.00
Witan Inv, Old Horticultural Hall, Vincent Square, S.W., 7.05
BOARD MEETINGS:
Finals:
Beradin
Billam
Britton
CMG
Calderburn
Capital
Christies Int
Cordiant
Crestacare
Dunedin Inc Growth
Delta
Expamet Int
Fidelity Japanese Values
Holliday Chemical
Huntingdon Int
Kalon
M & G Inc Inv Tst
Pacific Assets Tst
Parity
Prudential
Record
TI
Williams Hldgs
Interims:
Everest Foods
Headway
M & G Recovery Inv Tst
Pochins
Thorntons
Wolseley

■ **WEDNESDAY MARCH 13**
COMPANY MEETINGS:
Gartmore British Inc & Growth Tst, 16-18, Monument Street, E.C., 2.30
London Scottish Bank, St James's Club, Charlotte Street, Manchester, 12.00
BOARD MEETINGS:
Finals:
BPP
Baynes (Charles)
Brent Int
Church
English China Clays
Haden MacLellan
Heywood Williams
JIB
Lambert Howarth
Radius
Reed Int
Rosebys
Schroders
Tilbury Douglas
Waste Recycling
Interims:
Ricardo
Shires Pharmaceuticals

■ **THURSDAY MARCH 14**
COMPANY MEETINGS:
Loades, Sheraton Skyline Hotel, Bath Road, Hayes, 12.00
Lookers, Lancashire County Cricket Club, Old Trafford, Manchester, 12.00
BOARD MEETINGS:
Finals:
Anglo Aerican Ind
BTR
Biotrace
Bostrom
British Mohair
Coats Viyella
CU Environmental
Davis Service
Emess
Exco
Jayes
Legal & General
Mayflower
Micro Focus
Pittards
Reckitt & Colman
Steel Burrill Jones
United Biscuits
Watmoughs
Wood (Arthur)
Interims:
BZW Endowment Fd
F & C High Inc Tst
Logica
Sirdar
Television Corp

■ **FRIDAY MARCH 15**
COMPANY MEETINGS:
Alexanders Hldgs, 7-10, Old Park Lane, W., 12.00
Central Motor Auctions, Auction Centre, Pontefract Road, Rothwell, Leeds, 11.00
Eurocamp, Cottons Hotel, Manchester Road, Knutsford, Cheshire, 2.30
Johnson Fry Second Utilities Tst, 20, Regent Street, S.W., 11.30
BOARD MEETINGS:
Finals:
Aspen Comms
British Data Mngmnt
Molins
Mowlem (J)
Perry
Serif
Wembley
Interim:
Walker (Thomas)

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to apprcve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Argyll 8⅛% Bd 2000 £81.25
Border Television 2.2p
Exxon $0.75
Fuji Bank Int Fin Perp Sb FRN $16705.05
Grace (WR) $0.125
Kubota FRN 1997 Y20498.0
Lilly (Eli) $0.3425
Quality Care Homes 3.3p
Rockwell $0.29
Smith (David S) 2.45p
Sumitomo Heavy FRN 1996 Y22395.0
Tokai Bank Nederland Fltg/Fxd Rate Gtd Nts 2004 $32229.17
Treasury Fltg Rate 1999 £1.5769

■ **TOMORROW**
Bankamerica $0.54
Challenge Bank FRN 1997 $15.74
Fuji Bank Int Fin 8⅝% Sb Gtd Bd 2001 $86250.0
Ireland Res Sec Home Mortgages (No 1) Class A1 FRN 2025 IR£1442.42
Japan Airlines 7% Bd 1996 Y700000.0
Kuala Lumpur Kepong M$0.20
Marubeni Int Fin Var Rate Bd 1996 Y645000.0
Monsanto $0.69
Prism Leisure 1.38p
Ransomes Cm Cv Pf 4.125p
Sapporo Breweries FRN 1997 Y179709.0
Sotheby's Class A Lim/Vtg $0.08
Tenneco $0.45

■ **WEDNESDAY MARCH 13**
Ashanti Goldfields $0.25
GHQB 12⅝% Gtd Sec Bd 2015 £126.25
General Motors Acceptance 9⅛% Nts Mar 1996 $456.25
Gold Fields Property R0.40
Hydro-Quebec 12¾% Ln 2015 £6.375
Kunick 0.35p
Marubeni Int Fin 6½% Ser A Yen/US$ Bd 1997 Y650000.0
Do Ser B Y650000.0
Nationale Investeringsbank Sb FRN 2002 $145.35
Vogels Metal R0.35

■ **THURSDAY MARCH 14**
Chase Manhattan Sb FRN 2009 $150.09
Crabtree 5.25p
Daejan 18p
Hongkong & Shanghai Banking Prim Und FRN (Ser 2) $76.62
Investors Capital Inc Ann Rest/Vtg 1.35p
Do Units 1.35p
London Scottish Bank 3.55p
Pfizer $0.30
Ragby Gtd FRN Dec 1997 $15400.49
Santander Fin Iss Sb Gtd FRN 2004 $317.55
Scandanavian Airlines 9¼% Bd 1999 FFr925.0
Witan Inv 3.5p
Young & Co's Brewery 9½% Db 2018 £4.75

■ **FRIDAY MARCH 15**
Atlantic Richfield $1.375
Beatrix Mines R0.63
Brunswick $0.125
CSX $0.26
Christiania Bank 8% Sb Nts 1996 $293.85
Dana $0.23
Dover $0.15
Edinburgh Inv Tst 3.65% Cm Pf 1.825p
Elandsrand Gold R0.30
Forte FRN 1999 £1777.73
Gentra Fltg Rate Sb Cap Db 1998 $304.60
Gracechurch Personal Loan Fin (No 1) Class A FRN 1998 £169.82
Do Mezzanine FRN 1998 £627.57
Grootvlei Proprietary Mines R0.10
Grosvenor Inns 2.75p
Inco $0.10
Leslie Gold Mines R0.05
Loades 1p
Louisiana Land & Expln $0.06
Midland Bank Non-Cm $ Pf Ser A1 $0.355
Do Ser A2 $0.8875
Morrison (Wm) Supermarkets 5¼% Rd Pf 2.625p
NK Properties Lkd Units R0.3088
NTT Data Comms 3.3% Bd 1999 Y330000.0
Newcastle Bldg Scty 12⅝% Perm Int Brg £63.125
Pennzoil $0.25
Quebec (Province of) 12¼% Ln 2020 £6.125
Royal Bank of Canada Fltg Rate Db 2085 $151.67
Sanwa Australia Fin Gtd Fxd/FRN 2004 $1595.65
Southvaal R2.80
Spintab FRN Sep 1998 $154.83
Sweden (Kingdom of) 9¾% Ln 2014 £487.50
TR Smaller Co's Inv Tst 1.5p
TRW $0.55
Thomson $0.1375
Time Warner $0.09
Trinova $0.20
Unidare Units IR12.26p
Unisel Gold Mines R0.25
Vaal Reefs R7.0
Western Deep Levels R2.40
Whirlpool $0.34
Winkelhaak Mines R0.40

■ **SATURDAY MARCH 16**
Treasury 2% IL 1996 £2.19

■ **SUNDAY MARCH 17**
Daiwa Europe Bank Step-up Callable Nts 1998 Y1560000.0
Do Step-up Callable Nts 2000 Y1500000.0
Welsh Water Utilities Fin 7⅛% Gtd Bd 2004 £71.25

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 10.03.96: Pool purchase price £/MWh	Final Price for Trading on 11.02.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.74	9.08	9.08
0100	17.74	14.78	15.97
0130	20.66	15.01	16.20
0200	20.66	15.01	16.20
0230	17.75	15.01	16.20
0300	16.37	20.03	21.22
0330	16.37	20.03	21.22
0400	15.97	20.03	21.22
0430	12.42	13.57	14.75
0500	9.70	12.82	14.01
0530	9.18	9.09	10.28
0600	9.18	9.08	10.27
0630	9.16	9.08	10.27
0700	9.16	9.09	10.27
0730	9.10	9.08	10.27
0800	9.06	9.06	9.08
0830	9.06	9.04	9.04
0900	9.18	9.07	10.26
0930	9.18	9.08	10.27
1000	10.79	9.08	10.27
1030	14.35	13.76	14.93
1100	14.35	14.33	15.51
1130	14.35	14.33	15.51
1200	17.56	18.83	20.02
1230	17.56	18.83	20.02
1300	17.56	18.83	20.02
1330	14.35	18.83	20.02
1400	12.62	14.28	15.47
1430	10.79	10.11	10.11
1500	9.68	9.10	9.10
1530	9.68	9.10	9.10
1600	9.88	9.10	9.10
1630	9.80	9.09	9.09
1700	9.80	10.21	10.21
1730	9.18	17.96	19.14
1800	9.70	14.36	15.55
1830	13.97	18.83	20.02
1900	17.74	18.83	20.02
1930	17.74	18.83	20.02
2000	17.74	17.96	19.14
2030	17.74	14.36	15.55
2100	15.50	13.91	15.10
2130	15.50	14.00	15.19
2200	15.50	14.00	15.19
2230	8.94	13.12	14.31
2300	9.69	13.06	14.25
2330	9.80	10.11	10.17
2400	9.14	9.06	9.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.03.96: Pool purchase price £/MWh	Final Price for Trading on 12.02.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.70	13.06	13.79
0100	14.41	13.12	13.84
0130	15.49	22.17	22.89
0200	15.49	22.17	22.89
0230	15.49	13.25	13.97
0300	15.49	17.58	[illegible]
0330	14.41	17.58	18.30
0400	14.41	13.25	13.97
0430	12.62	[illegible]	9.10
0500	8.84	9.08	9.09
0530	12.28	9.08	9.08
0600	12.30	9.06	9.06
0630	12.74	9.07	9.07
0700	14.70	19.47	19.20
0730	14.49	[illegible]	20.45
0800	16.38	19.85	20.53
0830	19.30	20.48	21.34
0900	24.17	21.32	22.34
0930	28.65	21.56	23.12
1000	30.60	25.64	26.92
1030	29.28	25.92	27.26
1100	27.49	25.86	27.18
1130	26.25	35.07	38.45
1200	26.51	35.45	36.92
1230	24.13	35.52	37.00
[illegible]	20.98	26.03	27.39
1330	17.87	25.05	26.19
1400	16.80	24.63	25.67
1430	16.27	24.31	25.27
[illegible]	16.11	24.15	25.07
1530	16.02	24.01	24.90
1600	[illegible]	21.57	22.61
1630	18.30	29.11	31.23
1700	22.46	48.36	55.57
1730	24.70	103.21	[illegible]
1800	35.55	[illegible]	130.98
1830	52.57	105.19	115.12
1900	70.45	[illegible]	60.40
1930	66.04	36.87	39.31
2000	37.53	24.09	25.29
2030	20.07	16.51	17.31
2100	15.26	29.60	30.33
2130	14.47	29.57	30.30
2200	14.08	12.84	13.56
2230	12.74	12.83	13.55
2300	12.30	10.19	10.19
2330	9.78	9.13	[illegible]
2400	9.40	[illegible]	9.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

	Mar 8	Mar 7	Mar 6	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	16803.54	16397.61	16681.20	18191.88	31/1/96	9831.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2287.6	2280.2	2301.1	2323.40	4/3/96	1823.30	8/2/95
All Mining(1/1/80)	1038.6	1039.8	1050.4	1089.30	4/3/96	786.30	8/2/95
Austria							
Credit Aktien(30/12/84)	374.17	373.74	371.70	395.42	2/1/95	328.50	27/10/95
Traded Index(2/1/91)	1062.47	1082.15	1049.24	1094.96	7/2/95	892.15	23/10/95
Belgium							
BEL20(1/1/91)	1748.26	1755.71	1727.30	1788.71	7/3/96	1271.83	9/3/95
Brazil							
Bovespa(29/12/83)	47219.0	47560.0	49753.0	54108.00	2/2/96	21382.00	9/3/95
[illegible]							
Metals Mnls(1975)	5194.0	5275.87	5248.52	5370.39	8/2/96	3808.63	1/3/95
Composite(1975)	4895.53	4980.80	4973.34	5059.89	14/2/96	3991.41	30/1/95
Portfolio§§(4/1/83)	2386.22	2434.28	2435.43	2488.57	8/2/96	1953.38	30/1/95
Chile							
IGPA Gen(31/12/80)	5463.09	5504.14	5542.41	6383.10	11/7/95	4576.80	9/3/95
Denmark							
CopenhagenSE(3/1/83)	385.89	387.02	387.62	391.26	13/3/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1818.15	1834.46	1842.05	2332.22	14/9/95	1808.20	23/3/95
France							
SBF 250(31/12/90)	1351.92	1368.96	1368.07	1372.31	4/3/96	1164.41	13/3/95
CAC 40(31/12/87)	1975.46	2008.03	2005.89	2024.09	1/2/96	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	874.13	881.42	877.37	888.12	5/3/96	708.87	30/3/95
Commerzbank(1/12/53)	2529.4	2550.2	2539.0	2584.10	5/3/96	2018.70	30/3/95
DAX‡(30/12/87)	2469.12	2480.94	2466.04	2501.22	1/3/96	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	998.66	1004.83	1003.42	1017.98	4/3/96	787.19	16/3/95
Hong Kong							
Hang Seng(31/7/64)	11217.79	11194.48	11378.73	11594.99	16/2/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3344.84	3393.92	3424.65	3932.09	2/1/95	2828.08	25/1/96
Indonesia							
Jakarta Comp.(10/8/82)	568.10	581.54	587.87	597.38	27/2/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2375.78	2396.79	2380.71	2398.79	7/3/96	1813.59	23/1/95
Italy							
Banca Comm. Ital.(1972)	601.51	609.31	613.70	680.54	10/2/95	547.79	5/12/95
MIB General(2/1/95)	1020.0	1032.0	1041.0	1082.00	9/2/96	982.00	15/1/96
Japan							
Nikkei 225(16/5/49)	20155.87	19957.15	20241.18	21118.30	8/2/96	14485.40	3/7/95
Nikkei 300(1/10/82)	287.73	285.11	289.34	307.98	5/1/96	222.39	13/6/95

	Mar 8	Mar 7	Mar 6	1995/96 High		1995/96 Low	
Japan							
Topix(4/1/68)	1543.9	1530.17	1551.90	1582.60	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2004.80	2005.78	2018.46	2130.89	4/1/96	1441.99	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1116.10	1132.58	1136.14	1138.14	6/3/96	889.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2835.47	2829.39	3101.82	2/2/96	1447.82	27/2/95
Netherland							
CBS TRtnGenEnd 83)	566.7	571.7	570.8	571.70	7/3/96	422.90	23/3/95
CBS All ShrEnd 83)	343.1	348.1	[illegible]	[illegible]	[illegible]	285.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2122.13	2104.28	2136.84	2290.02	20/10/95	1881.43	5/1/96
Norway							
Oslo SE(Ind)(2/1/83)	1310.24	1322.88	1321.06	1322.85	5/3/96	1039.60	10/3/95
Philippines							
Manila Comp.(2/1/85)	2875.78	2883.34	2918.09	2892.12	10/7/95	2189.48	20/11/95
Portugal							
BTA(1977)	2575.4	2591.0	2588.9	2811.60	8/1/95	2412.60	22/11/95
Singapore							
SES All-S'pore(2/4/75)	580.44	585.11	586.25	600.37	5/2/96	472.98	23/1/95
South Africa							
JSE Gold(28/9/78)	1724.2	1760.7	1704.2	2823.00	2/1/95	1258.29	30/10/95
JSE Indl.(28/9/78)	8356.0	8325.9	8338.7	8739.30	25/1/96	6222.00	31/1/95
South Korea							
KoreaCmpEx(4/1/80)	849.15	842.22	851.08	1027.37	2/1/95	849.22	7/3/96
Spain							
Madrid SE(30/12/85)	232.74	332.01	339.38	348.87	1/3/96	284.05	23/3/95
[illegible]							
AffarsvardnGen(1/2/37)	1844.0	1876.6	1878.1	1882.80	4/3/96	1408.80	29/3/95
Switzerland							
Swiss Bk. Ind(31/12/58)	1701.53	1715.70	1621.35	1716.70	7/3/96	1174.03	13/3/95
SBC General(1/4/87)	1211.38	1218.50	1177.02	1218.50	7/3/96	870.58	13/3/95
Taiwan							
WeightedPr.(30/6/66)	4805.09	4750.74	4725.81	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1308.97	1316.19	1318.21	1472.84	10/7/95	1135.90	16/3/95
Turkey							
Istanbul Cmp.(Jan 1986)	63790.7	65401.7	66320.2	66320.20	6/3/96	24044.38	23/1/95
WORLD							
MS Capital Intl(1/1/70)	748.1*	754.6	755.4	761.19	23/2/96	598.27	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1587.72	1607.55	1596.83	1607.55	7/3/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1399.05	1413.97	1403.36	1416.84	1/3/96	1117.34	9/3/95
JCapelDrgns(31/12/88)	(u)	375.87	380.61	382.82	19/2/96	282.07	23/1/95
ING Brngs Emrg(7/1/90)	152.77	154.86	156.76	162.72	5/2/96	117.75	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Mar	2013.0	1978.0	−36.0	2017.0	1966.0	23,112	47,130
Apr	2015.5	1979.0	−36.5	2015.5	1973.0	1,358	4,472
DAX							
Mar	2490.0	2449.0	−30.0	2493.5	2421.0	36,254	-
Jun	2503.5	2461.0	−31.0	2508.0	2433.5	5,306	-
OMX							
Mar	1480.00	1444.25	−34.75	1488.00	1419.00	7,640	21,041
Apr	1478.75	1445.00	−33.75	1478.75	1418.25	74	1,310
SOFFEX							
Mar	3594.0	3497.0	−53.0	3613.0	3455.0	13,674	19,191
Apr	3590.0	3430.0	−35.0	3617.0	3450.0	681	2,482

** Sat Mar 2. Taiwan Weighted Price 4854.90; Korea Comp Ex 856.51. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7, JSE 26 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 8 - 2448.80 −20.56

US INDICES

Dow Jones	Mar 8	Mar 7	Mar 6	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5470.45	5641.69	5625.77	5642.42 (5/3/96)	3832.08 (30/1/95)	5642.42 (5/3/96)	41.22 (2/7/32)
Home Bonds	104.25	104.86	104.91	105.00 (14/2/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2037.72	2082.49	2083.88	2111.37 (22/2/96)	1473.19 (3/1/95)	2111.37 (22/2/96)	12.32 (8/7/32)
Utilities	216.25	222.12	221.35	234.09 (13/2/96)	183.03 (3/1/95)	256.49 (31/9/93)	10.50 (8/4/32)

DJ Ind. Day's high 5612.79 (5700.22) Low 5395.30 (5585.70) (Theoretical) Day's high 5635.84 (5641.69) Low 5424.87 (5598.79) (Actual)

Standard and Poors	Mar 8	Mar 7	Mar 6	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	633.50	[illegible]	652.00	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials	748.15	770.25	768.76	779.23 (22/2/96)	546.28 (3/1/95)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	64.68	67.86	67.34	68.56 (5/3/96)	41.54 (3/1/95)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	339.74	350.14	349.48	351.70 (12/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (28/4/42)
Amex Mkt Val	558.16	570.31	568.84	570.31 (7/3/96)	433.12 (6/1/95)	570.31 (7/3/96)	29.31 (9/12/72)
NASDAQ Comp	1003.73	1093.12	1091.52	1117.79 (23/2/96)	743.58 (3/1/95)	1117.79 (23/2/96)	54.87 (31/10/72)

■ RATIOS

	Mar 1	Feb 23	Feb 16	Year ago
Dow Jones Ind. Div. Yield	2.15	2.12	2.16	2.73
	Mar 6	**Feb 28**	**Feb 21**	**Year ago**
S & P Ind. Div. yield	1.87	1.88	1.88	2.36
S & P Ind. P/E ratio	21.05	20.83	19.90	17.32

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Bay Network	11,610,500	34⅛	+2⅛
Sterling Com	8,711,400	29	+5
Micron Tech	7,900,100	28⅝	+1⅛
Federal Nat	7,616,400	30⅝	−2⅝
K-Mart	6,927,300	7⅝	−⅛
Merck	5,382,000	64⅞	−2⅝
Motorola	5,278,200	52⅞	+⅛
IBM	5,243,000	113⅞	−3⅛
Tele de Mex	4,955,800	29	−1⅛
Intl Paper	4,630,200	35⅝	+⅛

■ TRADING ACTIVITY

■ Volume (million)	Mar 8	Mar 7	Mar 6
New York SE	551.380	428.684	431.327
Amex	26.947	23.255	19.668
NASDAQ	(u)	527.931	547.309
NYSE			
Issues Traded	3,134	3,109	3,101
Rises	166	1,155	1,184
Falls	2,665	1,149	1,181
Unchanged	303	805	786
New Highs	34	125	145
New Lows	58	24	13

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	642.15	632.05	−22.10	648.00	624.15	40,957	117,388
Jun	648.30	638.00	−22.30	652.30	630.30	78,104	99,992
■ Nikkei 225							
Jun	19910.0	21080.0	+180.0	20220.0	19830.0	51,877	216,398
Sep	19920.0	20120.0	−	20120.0	19920.0	19	8,328

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. ? Priced in US $

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■ TOKYO – MOST ACTIVE STOCKS: Friday, March 8, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Stl Corp	19.6m	334	+4
NKK Corp	16.8m	288	+6
Toshiba Corp	16.3m	783	-7
Kaisei Elect Ry	13.6m	1050	+40
Mitsubishi Hvy	13.3m	850	+5
Sumitomo Mtl Ind	13.1m	301	+6
Shinko Elect	12.5m	910	+39
Kawasaki Steel	11.6m	355	+10
Fujitsu	10.2m	986	-3
Sumitomo Bank	9.5m	1950	+30

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Mar 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.9238	+0.013	156 - 315	15.9432	15.8372	15.8936	2.3	15.8111	2.8	-	-	105.9
Belgium	(BFr)	46.5628	+0.066	216 - 040	46.6120	46.3050	46.4528	2.8	46.2478	2.7	45.3678	2.6	108.0
Denmark	(DKr)	8.7494	+0.0101	451 - 537	8.7559	8.7081	8.7363	1.8	8.7118	1.7	8.6183	1.5	108.9
Finland	(FM)	7.0395	+0.005	333 - 457	7.0610	7.0060	7.0351	0.8	7.0271	0.7	-	-	83.8
France	(FFr)	7.7536	+0.0072	511 - 581	7.7656	7.7189	7.7407	2.0	7.7194	1.8	7.6321	1.6	109.3
Germany	(DM)	2.2642	+0.0017	631 - 652	2.2656	2.2515	2.2591	2.7	2.2491	2.7	2.2052	2.6	110.0
Greece	(Dr)	369.906	+0.342	717 - 100	370.357	368.266	-	-	-	-	-	-	66.3
Ireland	(I£)	0.9730	-0.0002	725 - 735	0.9746	0.9725	0.9721	1.1	0.9708	0.9	0.9663	0.7	97.6
Italy	(L)	2384.23	+1.56	330 - 516	2392.81	2380.00	2391.58	-3.7	2405.83	-3.6	2458.18	-3.1	74.2
Luxembourg	(LFr)	46.5628	+0.066	216 - 040	46.6120	46.3050	46.4528	2.8	46.2478	2.7	45.3678	2.6	108.0
Netherlands	(Fl)	2.5351	+0.0018	337 - 364	2.5425	2.5239	2.5288	3.0	2.5168	2.9	2.4686	2.8	108.2
Norway	(NKr)	9.8430	+0.0041	350 - 510	9.9059	9.8027	9.8324	1.3	9.8132	1.2	9.7393	1.1	98.8
Portugal	(Es)	234.890	+0.234	760 - 020	236.353	233.203	235.315	-2.2	236.22	-2.3	-	-	95.1
Spain	(Pta)	190.494	+0.005	374 - 614	190.750	189.684	190.934	-2.8	191.729	-2.6	194.764	-2.2	81.8
Sweden	(SKr)	10.3890	+0.0078	789 - 990	10.4520	10.3387	10.3904	-0.2	10.3923	-0.1	10.3994	-0.1	86.9
Switzerland	(SFr)	1.8357	-0.0011	355 - 378	1.8406	1.8297	1.8298	4.5	1.8166	4.3	1.7646	3.8	113.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.7
Ecu	-	1.2204	+0.0008	198 - 210	1.2220	1.2154	1.2189	1.5	1.216	1.4	1.2037	1.4	-
SDR†	-	1.04481	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5266	-0.0041	252 - 260	1.5316	1.5250	-	-	-	-	-	-	-
Brazil	(R$)	1.5011	-0.0045	008 - 016	1.5074	1.5000	-	-	-	-	-	-	-
Canada	(C$)	2.0859	-0.0124	850 - 867	2.1012	2.0837	2.0842	1.0	2.0816	0.8	2.0739	0.6	84.1
Mexico	(New Peso)	11.5911	+0.0032	808 - 014	11.6256	11.5419	-	-	-	-	-	-	-
USA	($)	1.5262	-0.0037	258 - 265	1.5322	1.5250	1.5252	0.8	1.5233	0.7	1.5148	0.7	85.8
Pacific/Middle East/Africa													
Australia	(A$)	1.9865	-0.0188	854 - 876	2.0056	1.9839	1.9889	-1.4	1.9926	-1.4	2.0204	-1.7	90.0
Hong Kong	(HK$)	11.8013	-0.0297	978 - 047	11.8474	11.7931	11.7928	0.9	11.7816	0.7	11.7594	0.4	-
India	(Rs)	51.9731	-0.0419	230 - 231	52.7570	51.8700	-	-	-	-	-	-	-
Israel	(Shk)	4.7384	-0.0036	317 - 410	4.7413	4.7303	-	-	-	-	-	-	-
Japan	(Y)	161.505	+0.396	414 - 595	161.910	160.940	160.73	5.8	159.26	5.6	152.285	5.1	137.5
Malaysia	(M$)	3.8795	-0.0048	778 - 811	3.8926	3.8773	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2592	-0.014	578 - 605	2.2697	2.2573	2.2646	[illegible]	2.2744	-2.7	2.3151	-2.5	105.8
Philippines	(Peso)	39.9394	-0.0862	539 - 248	40.0250	39.8510	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7239	-0.0138	224 - 254	5.7464	5.7198	-	-	-	-	-	-	-
Singapore	(S$)	2.1496	-0.0055	483 - 508	2.1586	2.1481	-	-	-	-	-	-	-
South Africa	(R)	5.9940	+0.0046	888 - 991	6.0746	5.9807	-	-	-	-	-	-	-
South Korea	(Won)	1186.51	-4.1	616 - 685	1191.13	1185.69	-	-	-	-	-	-	-
Taiwan	(T$)	41.9684	-0.1018	580 - 788	42.1340	41.9375	-	-	-	-	-	-	-
Thailand	(Bt)	38.4895	-0.078	730 - 060	38.6340	38.4660	-	-	-	-	-	-	-

† Rates for Mar 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4338	+0.0337	310 - 365	10.4490	10.3410	10.4178	1.8	10.3563	1.8	10.2638	1.6	105.7
Belgium	(BFr)	30.5100	+0.117	900 - 300	30.6330	30.2350	30.465	1.8	30.373	1.8	30.04	1.5	107.7
Denmark	(DKr)	5.7330	+0.0206	315 - 345	5.7420	5.6845	5.7296	0.7	5.724	0.6	5.7405	-0.1	[illegible]
Finland	(FM)	4.6128	+0.0144	[illegible]	4.6271	4.5753	4.6081	1.2	4.5996	1.1	4.5831	0.6	82.9
France	(FFr)	5.0805	+0.017	800 - 810	5.0890	5.0401	5.0753	1.2	5.0678	1.0	5.0385	0.8	108.8
Germany	(DM)	1.4836	+0.0047	[illegible]	1.4882	1.4705	1.4811	2.0	1.4782	1.5	1.4563	1.8	109.4
Greece	(Dr)	242.380	[illegible]	310 - 450	242.730	240.460	243.855	-7.8	247.205	-8.0	261.88	-8.0	65.8
Ireland	(I£)	1.5685	-0.0005	680 - 690	1.5732	1.5675	1.5688	-0.2	1.569	-0.1	1.565	0.4	-
Italy	(L)	1562.25	+4.8	200 - 250	1568.04	1554.50	1568.6	-4.9	1580.35	-4.6	1631.25	-4.4	73.7
Luxembourg	(LFr)	30.5100	+0.117	900 - 300	30.6330	30.2350	30.458	2.0	30.37	1.8	30.065	1.5	107.8
Netherlands	(Fl)	1.6611	+0.0052	[illegible]	1.6668	1.6455	1.6581	2.2	1.6516	2.3	1.6294	1.9	107.6
Norway	(NKr)	6.4498	+0.0183	458 - 533	6.4795	6.3980	6.4474	0.4	6.4391	0.7	6.4221	0.4	97.9
Portugal	(Es)	153.910	+0.525	860 - 960	154.800	152.560	154.285	-2.9	155.055	-3.0	158.66	-3.1	95.2
Spain	(Pta)	124.820	+0.305	770 - 870	125.000	123.920	125.215	-3.8	125.95	-3.6	129.44	-3.7	81.4
Sweden	(SKr)	6.8073	+0.01216	023 - 123	6.8403	6.7521	6.8243	-3.0	6.8539	-2.7	6.9913	-2.7	86.5
Switzerland	(SFr)	1.2035	+0.0022	[illegible]	1.2060	1.1950	1.1998	3.7	1.1926	3.6	1.165	3.2	113.2
UK	(£)	1.5262	-0.0037	[illegible]	1.5322	1.5250	1.5252	[illegible]	1.5233	0.7	1.5148	0.7	83.3
Ecu	-	1.2506	-0.0039	[illegible]	1.2597	1.2490	1.2509	-0.3	1.2512	-0.2	1.2519	-0.1	-
SDR†	-	0.68458	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9997	-0.0002	996 - 997	1.0000	0.9956	-	-	-	-	-	-	-
Brazil	(R$)	0.9836	-0.0006	835 - 837	0.9842	0.9833	-	-	-	-	-	-	-
Canada	(C$)	1.3668	-0.0048	665 - 670	1.3745	1.3646	1.367	-0.1	1.3671	-0.1	1.3721	-0.4	82.9
Mexico	(New Peso)	7.5950	+0.0205	900 - 000	7.6000	7.5900	7.5972	-0.4	7.6004	-0.3	7.6053	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3016	-0.009	012 - 027	1.3090	1.3009	1.3036	-1.8	1.3071	-1.7	1.3258	-1.9	90.2
Hong Kong	(HK$)	7.7327	-0.0006	322 - 332	7.7332	7.7320	7.7334	-0.1	7.7352	-0.1	7.7522	-0.4	-
India	(Rs)	34.0550	+0.055	300 - 800	34.5000	33.9200	34.205	-5.3	34.51	-5.3	35.98	-5.7	-
Israel	(Shk)	3.1035	+0.0052	011 - 058	3.1059	3.0940	-	-	-	-	-	-	-
Japan	(Y)	105.825	+0.515	790 - 860	105.940	105.300	105.39	4.9	104.50	4.7	101.52	4.1	139.6
Malaysia	(M$)	2.5420	+0.003	415 - 425	2.5455	2.5378	2.5429	-0.4	2.546	-1.1	2.5725	-1.2	-
New Zealand	(NZ$)	1.4802	-0.0057	797 - 808	1.4809	1.4790	1.4833	-2.5	1.4891	-2.4	1.5137	-2.3	-
Philippines	(Peso)	26.1700	+0.02	200 - 200	26.2200	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7507	3.7502	3.751	-0.1	3.7517	-0.1	3.7561	-0.1	-
Singapore	(S$)	1.4085	-0.0002	080 - 090	1.4095	1.4078	1.405	3.0	1.399	2.7	1.3735	2.5	-
South Africa	(R)	3.9275	+0.0125	250 - 300	3.9750	3.9175	3.9563	-8.8	4.0078	-8.2	4.231	-7.7	-
South Korea	(Won)	777.450	-0.8	400 - 500	778.500	777.400	780.45	-4.6	782.36	-3.3	802.45	-3.2	-
Taiwan	(T$)	27.4985	-	980 - 000	27.5010	27.4980	27.5195	-0.9	27.5595	-0.9	-	-	-
Thailand	(Bt)	25.2200	+0.01	150 - 250	25.2280	25.2120	25.3187	-4.7	25.5225	-4.8	26.405	-4.7	-

† SDR rate per $ for Mar 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 7: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.79	16.65	4.863	2.090	5120	5.445	21.14	504.5	409.1	22.32	3.945	2.148	4.480	3.277	346.9	2.620
Denmark	(DKr)	53.22	10	8.863	2.588	1.112	2725	2.897	11.25	268.5	217.7	11.88	2.100	1.143	2.384	1.744	184.6	1.394
France	(FFr)	60.05	11.28	10	2.920	1.255	3075	3.269	12.69	302.9	245.7	13.40	2.369	1.290	2.690	1.968	208.3	1.573
Germany	(DM)	20.57	3.864	3.425	1	0.430	1053	1.120	4.348	103.8	84.14	4.589	0.811	0.442	0.921	0.674	71.33	0.539
Ireland	(I£)	47.85	8.992	7.969	2.327	1	2450	2.605	10.12	241.4	195.8	10.68	1.888	1.028	2.144	1.568	166.0	1.254
Italy	(L)	1.953	0.367	0.325	0.095	0.041	100.	0.106	0.413	9.853	7.991	0.436	0.077	0.042	0.088	0.064	6.774	0.051
Netherlands	(Fl)	18.37	3.451	3.059	0.893	0.384	940.4	1	3.883	92.66	75.15	4.099	0.725	0.394	0.823	0.602	63.71	0.481
Norway	(NKr)	47.30	8.889	7.878	2.300	0.989	2422	2.575	10	238.6	193.5	10.56	1.866	1.016	2.119	1.550	164.1	1.239
Portugal	(Es)	19.82	3.725	3.301	0.964	0.414	1015	1.079	4.190	100.	81.10	4.423	0.782	0.426	0.888	0.650	68.75	0.519
Spain	(Pta)	24.44	4.593	4.070	1.188	0.511	1251	1.331	5.167	123.3	100.	5.454	0.964	0.525	1.095	0.801	84.76	0.640
Sweden	(SKr)	44.81	8.421	7.463	2.179	0.936	2295	2.440	9.474	226.1	183.3	10	1.768	0.962	2.008	1.469	155.4	1.174
Switzerland	(SFr)	25.35	4.763	4.221	1.232	0.530	1298	1.380	5.358	127.9	103.7	5.656	1	0.544	1.136	0.831	87.92	0.664
UK	(£)	46.56	8.749	7.754	2.264	0.973	2384	2.535	9.843	234.9	190.5	10.39	1.837	1	2.086	1.526	161.5	1.220
Canada	(C$)	22.32	4.194	3.717	1.085	0.466	1143	1.215	4.719	112.6	91.32	4.981	0.881	0.479	1	0.732	77.42	0.585
US	($)	30.51	5.733	5.081	1.484	0.638	1562	1.661	6.450	153.9	124.8	6.809	1.204	0.655	1.367	1	105.8	0.799
Japan	(Y)	28.83	5.417	4.801	1.402	0.602	1476	1.570	6.095	145.4	118.0	6.433	1.137	0.619	1.292	0.945	100.	0.755
Ecu		38.16	7.171	6.356	1.856	0.798	1954	2.078	8.068	192.5	156.1	8.516	1.506	0.820	1.710	1.251	132.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6777	0.6726	-0.0049	0.6808	0.6702	21,892	60,466
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

STERLING FUTURES (IMM) £62,500 per £

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

Pound in New York

[illegible]

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

BANK RETURN

[illegible]

BASE LENDING RATES

[illegible]

UK GILTS PRICES

[illegible]

STOCK INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995/96 High	1995/96 Low	Stock	Closing price p	+or-
540	Nil	8/3	82pm	56pm	Farnell Uts Ln	78pm	
165	Nil	19/3	33pm	26pm	Headlam	33pm	+1
10	Nil	14/3	2½pm	¼pm	IAF	¼pm	
155	Nil	9/4	33½pm	12pm	Persimmon	32pm	+8

pm premium.

THREE MONTH EUROMARK FUTURES / THREE MONTH EURODOLLAR / US TREASURY BILL FUTURES

[illegible]

All Open Interest figs. are for previous day

SCOR

A GOOD YEAR FOR SCOR IN 1995
NET INCOME RISES TO FRF 522 MILLION

The Board of Directors of Scor S.A. met on March 6, 1996, under the Chairmanship of Jacques Blondeau, to review the Group's consolidated financial statements and approve the parent company financial statements for 1995.

Scor Group Consolidated key figures

(in FRF million)	1994 *	1995
Gross premiums	11,645	11,848
Net premiums	9,929	10,184
Underwriting result	-333	505
Operating result	23	591
Group net income **	282	522
Net invested assets	26,352	26,818
Net technical provisions	20,083	21,711
Group shareholders' equity	4,985	5,146
Employees	1 076	1 078

** Restated for purposes of comparison in accordance with the new French reinsurance accounting standards. ** Excluding minority interests*

On most markets, the world reinsurance industry confirmed the positive trends of 1993 and 1994 demand remained buoyant and underwriting terms were satisfactory.

Scor's premium income advanced 6.6% on a comparable exchange-rate basis. Group net income after tax (excluding minority interests) was up 85% relative to 1994, rising to FRF 522 million. Return on equity was 10.1%.

All Group subsidiaries without exception contributed to this excellent performance.

Parent company

Profit for the year after depreciation, amortization and income taxes, amounted to FRF 89 million. The Board of Directors will recommend at the Annual Shareholders' Meeting to distribute a dividend of FRF 7.50, including tax credit (avoir fiscal), which is more than double the previous year's dividend.

CREDIT LYONNAIS
USD 60,000,000.-
FRN Undated

Bondholders are hereby informed that the rate applicable for the Coupon N°9 has been fixed at 6,06953 %, for the period, starting on 11th March 1996 until 10th September 1996 (inclusive) and representing a period of 184 days.

The coupon N°9 will be payable at the price of USD 31,022.04 on 11th September 1996.

The Principal Paying Agent

CREDIT LYONNAIS LUXEMBOURG S.A.

CURAÇAO DEPOSITARY RECEIPTS of PIONEER ELECTRONIC CORPORATION

With Reference to section 7, sub 5 of the Deposit Agreement, the undersigned announces, on behalf of Pioneer Electronic Corporation and the Administration Office, Caribbean Depositary Company at Curaçao, that aforementioned section has changed in a way that prospective notifications to holders of Curaçao Depositary Receipts will only be published in the Official Price List of the Amsterdam Stock Exchange.

MEES PIERSON N.V.

Amsterdam, 11 maart 1996

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

Bermuda Intl Invmnt Mgmnt Ltd

Butterfield Management Co Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Lazard Fund Managers (CI) Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

Bank of Cyprus Group

Coutts & Co Fund Managers Limited

The Fiduciary Trust Global Fund

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

Morgan Grenfell Investment Funds Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

Daiwa Europe Fund Managers Ireland Ltd

Dragon Korea Fund Plc

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Dynamic Pacific Portfolio Fund Plc

East Asia Hanseo Ireland Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Bank of Ireland Asset Mngmt (IOM) Ltd

Citi Fund Managers (IoM)

Mercury Fund Managers (IoM) Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mngrs

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

JERSEY (REGULATED)(**)

Bank of Scotland Fund Managers (Jersey) Ltd

Barclays Intl Funds

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Eurasia Global SICAV (a)

Fleming Group (a)

Rothschild Asset Management

Schroder International Selection Fd (a)

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (a)

Alliance Capital

OFFSH
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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Codis Investment Funds - Contd.

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Pacific Basin Growth Fund

CMI Insurance Co Ltd

Royal Life International

Buchanan Capital Management Ltd

CA Securities Investment Fund Mangt Ltd

CB Asset Management

Global Asset Management - Contd.

MD Sass Re/Enterprise International Ltd

MFS Meridian Funds

Magellan Emerging Mkts Mngt (Jersey) Ltd

Regis Asset Management

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Allied Domecq		503	-1.6	029.5	1.2	Feb Jul	4.12	1550
Bulmer (HP)		562	0.5	12.3	2.6	Feb Sep	8.1	2005
Burn St Dist		119	-.8	5.0	0.9	May Nov	30.10	1518
Grand Met		426xd	-2.7	14.9	1.6	Apr Oct	29.12	2758
Guinness		482	0.7	14.1	2.1	Nov May	9.10	2791
Highland		381	0.8	7.9	2.7	Jan Jun	4.12	2890
Kirin Y		730	-3.6	020%	4.2	Mar Sep	–	1119
Macallan-Glen		162	-.6	1.32	3.4	Nov May	2.10	3284
Macdon Martin A		635	–	10.9	3.3	Jan Jul	11.12	3257
Matthew Clark		702	1.3	22.0	0.2	Apr Oct	29.1	2150
Merrydown		103	–	2.0	–	Jan Oct	11.12	3352
Seagram $		£22	2.4	060c	–	MrJnSeDe	3'93	–

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Pf		50½	–	8%	–	Jan Dec	11'94	1767
Cater Allen		461	-1.3	30.0	2.0	Jan Aug	11.12	2081
Close Bros		379	-2.8	9.05	2.5	Apr Nov	9.10	2166
Gerrard & Nat		416	-.5	22.5	1.3	Jul Dec	1.11	2626
Hambros		218	2.8	7.5	–	Aug Dec	27.11	2812
7½pc Cv Pf		103xd	2.0	7½%	–	Oct Apr	26.2	4098
Joseph (L)		450	–	16.75	1.6	Sep Jan	11.12	3060
King & Shaxson		154	-.6	8.0	1.4	Jan Jul	22.12	3088
Rea Brothers		80	–	1.0	2.4	May Sep	14.8	3705
Schroders		1268	-.2	14.17	5.1	May Oct	18.9	3939
N/V		1000	0.2	14.17	5.1	May Oct	18.9	3941
Singer & Fried		108	-1.8	3.7	2.7	Nov Jan	25.9	4028
8½pc Cv Ln 09/14		£132½	-.4	08½%	–	–	19.10	4845
Union		161xd	0.5	3.0	♦	Apr Aug	4.3	4353
Wintrust		304xd	–	11.72	1.5	Mar Oct	26.2	4524

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		[illegible]	-.8	064%	2.1	Sep May	9'93	–
ANZ A$		311	-5.5	033c	♦	Jan Jul	12'93	–
Abbey National		565xd	-.3	21.75	2.4	May Oct	4.3	5411
Allied Irish IE		341xd	-.9	052%	♦	Sep May	19.2	1354
Anglo Irish IE		61	-1.6	017.4%	1.7	Jan Jul	27.11	1385
Azabu Y		787	-.2	014%	1.3	Jun Dec	12'92	3048
Banco Bil Viz Pta		[illegible]	-2.7	091%	–	JaApJyOc	7'93	–
Banco Sant Pta		[illegible]	-6.1	093.6%	1.1	JyOcJaAp	2.5	–
Bk Ireland IE		[illegible]	-.9	[illegible]	3.9	Jan Jul	20.11	1360
Bank Scotland		[illegible]	-4.5	6.14	3.7	Jul Dec	16.10	1742
9¼pc Pf		118	-.8	9¼%	–	May Nov	30.10	1482
9¾pc Pf		122	-1.0	9¾%	–	May Nov	30.10	1685
Barclays		733xd	-4.2	25.0	3.3	May Oct	4.3	1764
Dai Ichi Kan Y		£11	-2.5	017%	1.2	Jun Dec	9'93	–
Deutsche DM		£32	-.8	033%	–	May	5'93	–
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV. TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Contra-Cycl Inc	♣v	47	—	9.5	FeJeAuNv	3.76	5.2	2674
Cap		8½	—	–	–	1.01	–	2677
Zero Div Pf	v	97½	—	–	–	13.8	–	2682
Dagas Income	♣v	68	—	7.97	Feb Aug	4.86	22.1	2306
Capital		34	—	–	–	2.48	–	2307
Derby Inc	v	143	—	10.33	Aug Feb	16.9	29.1	2340
Cap		320	—	–	–	30.8	–	2339
Dunyuat Cr An Div	M	95	—	6.2	–	134.1	–	5109
Monthly Div	M	108	—	5.52	FeSeOcDe	30.5	12.2	5102
Edinburgh Income	♣v	31xd	—	4.0	JaApAuDc	4.65	4.3	2820
Zero Dis Pf		69	—	–	–	10.3	–	2824
Exmoor Dual	♣v	10	—	1.59	Dec	0.75	5.11	5234
Inc	v	28	—	9.05	FeMyAuDe	2.85	5.2	5235
Zero Cpn Pref		283	—	–	–	12.7	–	5236
Firsbury Smllr Co's	♣v	280xd	0.6	3.4	Apr Sep	47.0	4.3	3129
Zero Pref		215	—	–	–	10.3	–	2835
Fleming Geared Inc	♣Mv	108	–1.5	2.1	Feb Sep	28.8	29.1	3824
Cm Pfg Pf		181½	–.3	13.3	May Nov	24.8	16.10	–
Fleming I & C Inc	♣Mv☐	74½	–.7	5.1	MrJeSeDe	69.8	22.1	1186
Units	Mv	128	–.8	5.1	MrJeSeDe	112.0	22.1	1177
Zero Div Pf		54½	—	–	–	32.5	–	1184
Fleming Int High	♣†v☐	48½	—	3.75	Sep Feb	38.9	22.1	2809
Zero Div Pref	☐	113	0.2	–	–	84.1	–	5316
For & Col Sml Sp Inc	♣v☐	60	—	4.2	Jan Jul	30.0	27.11	–

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£26½	—	0476c	2.4	Oct Apr	3'93	–
Barlow	♣	584	—	084c	♦	Jan Jul	11.12	–
Gold Flds Prop R		182xd	2.0	068c	2.1	Mar Sep	26.2	–
NK Props		65	–10.5	003.9c	–	Mar Sep	1.9	–
SASOL	♥	637	13.3	078c	–	Oct	9'93	–
SA Brews		238	1.1	0208c	2.1	Jan Dec	27.11	–
Standard Bank	☐	£28½	0.1	0264c	3.1	Sep Mar	–	–
Tiger Oats		1137	–1.1	0108c	♦	Jan Aug	11.12	–
Tongaat-Hulett	†	580	–7.0	0118c	2.7	Jan Jun	4.12	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "v" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. O Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

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FT Share Service

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4 pm close March 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22 1/8	12 1/8	AAR	0.48	2.4	24	350	21	19 7/8	20 1/8	-1
46 3/4	35	AMP	1.00	2.4	21	5327	42 3/4	41 3/8	41 7/8	-5/8
89 3/4	53 3/8	AMR			34	7029	87 1/4	83 3/4	84 3/4	-2
50 1/2	36 3/8	ASA	2.00	4.5	29	856	45 1/8	44	44 3/8	-1/4
44 3/4	30 3/4	AbbtL	0.96	2.3	20	15544	43 3/8	41 5/8	42 1/2	-1 3/8
18 7/8	12	AbtiBt Pr x	0.40	2.9	7	3207	13 7/8	13 3/8	13 5/8	-3/8
30 7/8	21	ABM Ind	0.70	2.3	16	42	29 7/8	29 3/4	29 7/8	
17 1/2	13 1/8	Acpincoln			10	193	14 5/8	14 1/8	14 1/2	-1/8
50 5/8	21 7/8	ACE Ltd	0.56	1.2	11	601	46 3/4	45 1/2	45 7/8	-1 1/8
9 7/8	8 1/8	ACM Gvt In x	0.90	9.6	8	984	9 3/4	9 1/2	9 1/2	-1/4
7 7/8	6 1/2	ACM GrOpp x	0.66	9.1		460	7 1/2	7 1/4	7 1/4	-1/8
7 1/2	5 3/4	ACM Gvt Sp x	0.75	10.9		358	7	6 7/8	6 7/8	-1/8
9 1/8	7 1/4	ACM Gvt Se x	0.90	10.4		2531	8 7/8	8 1/2	8 5/8	-1/4
9 1/2	7 5/8	ACM Man x	0.90	9.7		482	9 3/8	9 1/4	9 1/4	-1/4
31 1/4	10 1/4	AcmeClv	0.52	1.7	7	5883	30 5/8	30	30 1/8	-7/8
38 3/4	6 1/8	Acme Elect			52	138	6 3/8	6 1/8	6 1/4	-1/4
34 1/2	23 3/4	Acordia	0.72	2.6	15	11	28	27 7/8	28	
16 3/4	10 1/8	Acuson			47	775	15 3/8	15	15 1/8	-1/4
19 5/8	15 5/8	Adams Expr	0.38	1.9	0	212	19 1/4	19	19	-3/8
38 7/8	16 1/8	AdvMic			6	5578	17 7/8	16 3/4	17 1/2	+1/4
10 1/4	5	Advest Grp	0.16	1.7	9	86	9 5/8	9 3/8	9 3/8	-3/8
27 1/2	11 7/8	Advo Inc	0.10	0.8	12	675	12 1/8	11 7/8	12	-3/8
46 3/4	24.80	Aegon	1.38	3.0	16	436	44 1/8	42 3/8	42 5/8	-1 7/8
5 7/8	3 3/8	Aerflx			9	174	4 3/8	4 1/2	4 5/8	
78 3/4	46 3/4	AetnaL	2.76	3.6	36	4071	78	75 1/2	75 5/8	-2 7/8
49 1/2	31 7/8	Aflac	0.52	1.1	13	625	48 1/8	47 1/8	47 1/8	-1 3/8
28 3/8	18	Ahmnsn	0.88	3.6	7	6711	24 1/2	24	24 3/8	-5/8
59 1/2	40 7/8	AirPrC	1.04	1.9	16	2863	55 1/4	53 1/2	54	-1 3/4
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FT

FINANCIAL TIMES

Continued on next page

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4 pm close March 8

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close March 8

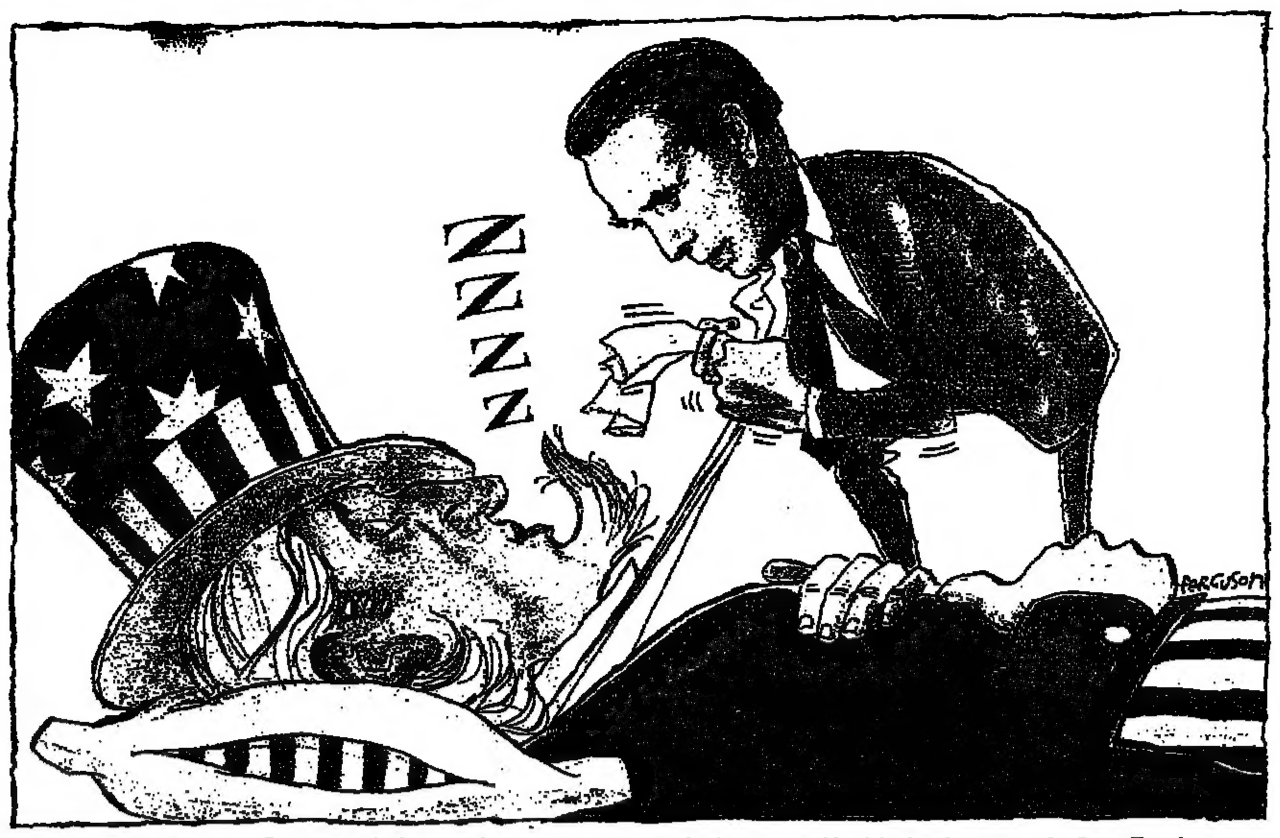
[illegible]

AMEX COMPOSITE PRICES

4 pm close March 8

[illegible]

FT GUIDE TO THE WEEK



Wake up America: Republican Robert Dole looks set to boost an overwhelming lead as the presidential primaries gear up for Super Tuesday

MONDAY 11

Euro-MPs prepare for IGC

Euro-MPs will debate a motion outlining the European Parliament's priorities for the inter-governmental conference reviewing the Maastricht treaty, which begins on March 29. Discussion will focus on an enhanced role for the parliament, the principle of one European commissioner per member state and the development of European citizenship. Also on the agenda is the ratification of Europol, the proposed pan-European police agency to counter cross-border criminal activities. Although it is up to national parliaments to ratify Europol, a deadlock has arisen over whether the European Court of Justice should have the power to settle disputes.

Australia coalition sworn in

Australia's new Liberal-National coalition government will be sworn in, 9 days after scoring a sweeping victory over its Labor opponents at the polls. The ceremonies will end 13 years of Labor rule in Australia, and bring several new faces to the fore in Canberra. With the exception of John Howard, the prime minister-elect, none of the ministerial team has been in government.

EU ministers discuss waste

European Union finance ministers meet in Brussels to approve the Court of Auditors' report on identifying EU financial mismanagement and waste in 1994. Ministers will also discuss proposals for injecting fresh capital into the European Bank of Reconstruction and Development, one of the lead lending institutions for eastern Europe, as well as European investment bank lending to Latin America and Asia. The slowdown in the European economy will be discussed informally.

Seoul army coup trial

Two former military-backed presidents of South Korea, Chun Doo-hwan and Roh Tae-woo, go on trial for their alleged roles in leading a 1979 army coup and the subsequent massacre of pro-democracy protesters in 1980. Both men are already being tried separately for allegedly accepting several hundred million dollars in corporate bribes while in office between 1980 and 1993.

Public holidays

Australia, British Virgin Islands, Gibraltar.

TUESDAY 12

Dole nearly unstoppable

By the end of so-called Super Tuesday's presidential primaries in seven states – including delegate-rich Texas and Florida – 45.7 per cent of the delegates will have been selected for the US Republican convention. With momentum gained last week from wins in New York and eight other states, the virtually unstoppable senator Robert Dole is expected to add to his already overwhelming lead.

Turkey alliance vote

Turkish MPs are expected to approve the new conservative coalition government of Mesut Yilmaz in a confidence debate, even though the alliance between his Motherland party and Tansu Çiller's True Path party lacks a majority. The government relies on support from the Democratic Left party of Bülent Ecevit, a former prime minister who wants to dilute the government's free-market reforms. Rivalry between the coalition partners suggests a weak government. Their powerful conservative factions may also oppose political reforms to end the Kurdish uprising. Refah, the Islamist opposition, promises resistance.

Cardoso in Japan

President Fernando Henrique Cardoso of Brazil travels to Japan for a four-day visit aimed at rebuilding economic ties between the two countries. The Japanese invested heavily in Brazil during the 1960s and 1970s, and commercial relations soured after Brazil suffered a debt crisis during the 1980s. With its new-found economic stability, loans and investment are returning to Brazil, and Honda and Toyota are expected to announce spending on new car plants during Mr Cardoso's visit. Brazil has the biggest Japanese community outside Japan because of emigration by farm workers early this century.

White paper on IGC

The British government publishes its white paper on the UK's broad negotiating position ahead of the inter-governmental conference on institutional reform of the EU. The document will outline the government's proposals for modest curbs on the jurisdiction of the European Court of Justice and UK resistance to increasing the powers of the European parliament. With MPs due to debate the white paper on March 21, a week before the IGC opens in Turin, Tory divisions on Europe have resurfaced.

Horse racing

National Hunt (jumps racing) festival, Cheltenham, England (to March 14).

FT Survey

Executive Education.

Public holidays

Lesotho, Mauritius.

WEDNESDAY 13

Northern Ireland convention

The British government is expected to announce details of elections to a Northern Ireland convention, in advance of all-party talks in June. Relations between ministers and the Ulster Unionists, the province's largest party, have deteriorated amid indications that the government would support proposals by the rival Democratic Unionist party for a single list system for elections. With the Conservative government's parliamentary majority now reduced to two, the argument has had serious repercussions at Westminster.

Middle East peace summit

Hosni Mubarak and Bill Clinton, the Egyptian and US presidents, host a summit in Egypt to rally support for the Middle East peace process. World leaders who have accepted the joint invitation include John Major, the UK prime minister, Boris Yeltsin, the Russian president, Jacques Chirac, the French president, and Helmut Kohl, the German chancellor. Syria – crucial to any peace process in the region – still had not confirmed by Sunday whether President Hafez al-Assad would attend. Egypt said the summit, which follows suicide bomb attacks in Israel which have shattered confidence in Israeli-Palestinian peace moves, was intended to "support the foundation of peace and combat violence".

South African budget

Chris Liebenberg, the South African finance minister, will try to woo foreign investors with reforms to the tax system when he presents his government's second budget to parliament. A rise in the VAT rate, a reduction in the 25 per cent rate for secondary tax on companies and a levy on income from pension funds have been widely forecast. Pressures to rein in government expenditure have intensified, but Mr Liebenberg has to consider promises made in the reconstruction and development programme, which is supported by all political parties, to improve services.

Cricket

First of the World Cup semi-finals, Calcutta. The other semi is on March 14 (Chandigarh).

THURSDAY 14

Berlusconi committal hearing

A committal hearing in Milan is due to decide whether Silvio Berlusconi, the media magnate and former Italian prime minister, should stand trial on charges of illegally channelling funds to another former prime minister, the disgraced Bettino Craxi.

Golf

Dubai Desert Classic (to March 17).

Public holidays

Andorra, Guyana.

FRIDAY 15

IMF decision on Hungary

The International Monetary Fund decides whether to grant Hungary a much-delayed stand-by loan – the first since the Socialist-Liberal coalition took power in July 1994. The loan is dependent on parliament this week passing a tight Ft17.8bn ($124m) social security deficit for this year. The Organisation for Economic Co-operation and Development – membership of which Budapest sees as an important step towards joining the European Union – has said it will admit Hungary this year if the loan goes ahead.

Carlsson retires in Sweden

A congress of Sweden's ruling Social Democratic party is set to elect Göran Persson, the finance minister, as its new leader to succeed Ingvar Carlsson, who is retiring after 10 years in the post. Mr Persson will formally take over as prime minister following a parliamentary vote on March 21. Meanwhile, the congress debate on SDP policy for the new century will pit reformists seeking to modernise the party against traditionalist defenders of Sweden's all-pervading welfare state.

Lib Dem conference

The Liberal Democrats, the UK's third political party, hold their spring conference in Nottingham (to March 17). Party leader Paddy Ashdown will put members on election alert, and policy debates will include law and order, further education and Europe.

Mastering Management

The FT's 20-part series continues in the UK edition with part 19. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XE, UK. Tel: +44 181 770 9772. Fax: +44 181 643 7330.

FT Survey

Kent.

Public holidays

Belarus, Hungary, Liberia.

SATURDAY 16

Saleroom

Albert Einstein's autographed working manuscript for his special theory of relativity comes up for auction at Sotheby's in New York. The 72-page manuscript, probably written in 1912, was unknown until it sold at Sotheby's in 1987 for $1.2m (£770,000). This time it is estimated it will fetch up to $6m. The manuscript represents a landmark in human thought and is the earliest and longest devoted to Einstein's theory.

Apec ministers in Kyoto

Finance ministers of the 18 members of the Asia Pacific Economic Co-operation council meet in Kyoto to discuss foreign exchange movements and investment in Asia (to March 17). Ministers are expected to call for a consideration of regional currency stabilisation in order to ward off foreign exchange crises. A proposal for a mixed public and private sector fund – led by Japan – to invest in Asian infrastructure projects will also be discussed. The meeting, the third of its kind, will be opened by Michel Camdessus, the managing director of the International Monetary Fund. He will give a report on the economic situation of each Apec country.

Mugabe seeks fourth term

Robert Mugabe, the president of Zimbabwe, is expected to win a fourth consecutive presidential term. Mr Mugabe, who claims most local industrialists are crooks, is being challenged by Abel Muzorewa, a former premier, and the Rev Ndabaningi Sithole, whose Zanu-Ndonga party is said to be linked to rebels operating from Mozambique. Mr Sithole – free on bail after being charged with plotting to assassinate Mr Mugabe – denies the claim. With two out of the 150 seats, Mr Sithole's party is the only opposition party with representation in parliament.

Rugby union

Five nations' championship: England v Ireland, London; Wales v France, Cardiff.

Boxing

America's Mike Tyson and Britain's Frank Bruno tangle in Las Vegas. At stake: Bruno's WBC heavyweight crown.

SUNDAY 17

Cricket

World Cup final, Lahore.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: UK manufacturing production is forecast to show a small upturn for January, having fallen sharply in December. Manufacturers' input and output price inflation is also thought to have eased last month, easing pressure on interest rates.

Tuesday: The Swiss economy is forecast to have shrunk slightly in the fourth quarter last year, having been flat in the third. Germany's trade surplus is also forecast to have narrowed a little in December.

Wednesday: Unemployment in the UK is forecast to have fallen again in February, but by much less than in the previous month. Spanish inflation is meanwhile thought to have fallen slightly.

Thursday: US annual producer price inflation is predicted to have been unchanged in February as cost pressures continue fading. Employment in Australia is thought to have risen in February, reversing the previous month's decline.

Friday: US consumer price is predicted to have been stable last month, following the increase which took place at the turn of the year. Factory orders are thought to have fallen in January following December's increase.

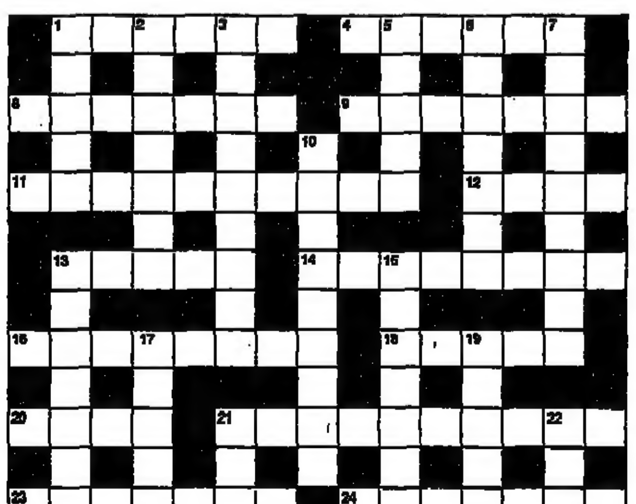
Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Jan new home sales	635,000	639,000(est)
Mar 11	US	Jan home completions	-	1.28m (est)
	Germany	Jan manufacturing output, West*	-1.0%	0.7% (rev)
	Germany	Jan indust prod'tion, pan-Germany*	-0.4%	-1.0% (rev)
	France	Feb consumer price indx, prelim*	0.3%	0.1%
	UK	Jan industrial production*	0.0%	0.4%
	UK	Jan industrial production**	1.8%	1.6%
	UK	Jan manufacturing output*	0.2%	-0.7%
	UK	Jan manufacturing output**	0.9%	-0.2%
	UK	Feb producer price indx input*	-0.1%	-0.3%
	UK	Feb producer price indx input**	3.4%	4.0%
	UK	Feb producer price indx output*	0.2%	0.4%
	UK	Feb producer price indx output**	3.7%	3.8%
	UK	Feb PPI ex food, drink & tobacco**	3.5%	3.6%
Tues	US	Jan wholesale trade	-	1.4%
Mar 12	US	4th qtr current a/c	-	-$39.5bn
	Japan	Jan mach'ry orders ex-power/ships*	-4.5%	7.0%
	Japan	Jan mach'y orders ex-power/ships**	13.3%	15.2%
	Germany	Dec trade balance	DM8.0bn	DM10.6bn
	Germany	Dec current a/c	-DM2.0bn	DM0.7bn
Wed	US	Feb Atlanta Fed indx	-	-12.3
Mar 13	UK	Feb unemployment	-10,000	-29,300
	UK	Jan average earnings	3.25%	3.25%
	UK	Jan unit wages 3-month**	4.6%	4.5%
	Spain	Feb consumer price indx*	0.3%	0.6%
Thur	US	Feb producer price indx	0.2%	0.3%
Mar 14	US	Ditto ex-food & energy	0.2%	-0.1%
	US	Initial claims w/e 9/03	365,000	-
	Japan	Feb overall wholesale price indx*	0.1%	0.2%
	Japan	Feb overall wholesale price indx**	0.0%	-0.2%
Fri	US	Feb consumer price indx	0.2%	0.4%
Mar 15	US	Ditto ex-food & energy	0.2%	0.3%
	US	Feb industrial production	0.8%	-0.6%
	US	Feb capacity utilisation	82.5%	81.9%
	US	Mar Michigan sentiment prelim	-	88.5
	US	Feb real earnings	-	-1.7%
	US	Feb bank credit	-	8.7%
	US	Feb C&I loans	-	11.4%
	Japan	Jan industrial production†	-	0.5%
	Japan	Jan shipments†	-	-0.7%
During the week...				
	Japan	Feb trade balance (customs cleared)	$5.1bn	$11.3bn
	Japan	4th qtr gross domestic prod†	0.3%	0.6%
	Japan	Feb Tokyo dept store sales**	-	3.6%
	Germany	Jan capital a/c	-	-DM4.5bn
	Germany	Jan orders, West*	0.0%	0.8%
	Germany	Jan retail sales, real**	-1.0%	-3.0%
	Germany	Jan retail sales, real*†	-	2.0%
	Spain	Jan trade balance	-Pta175.0bn	-Pta173bn

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

No.9,015 Set by GRIFFIN



ACROSS

1, 4 Paper shirts I designed for a clergyman (6,6)
8 What a "suspended sentence" used to mean? (7)
9 Times newspaper shock, we're told (7)
11 Ordered home before becoming unwell (10)
12 Raced to front gate and called (4)
13 Top man admitted being shoddy (5)
14 Liqueur distilled in tea set (8)
16 NCO rejected work in cattle pen (8)
18 Cold tar to one side of taxi driver (5)
20 With front removed smell is grim! (4)
21 Wanting cooked meal ring AA executive (10)
23 Liar left off guard swallows something fishy (7)
24 Reckless act injured animal (7)
25, 26 Came in gloom to tour North London area (6,6)

DOWN

1, 13 down Something barred for people who don't like it milky? (5,9)
2 Music paper brought up issue (7)
3 Bird seed in a smoother case (9)
5 Cane for interrupting a French period? (5)
6 Recommend putting stop to rose cultivation (7)
7, 22 Keep having a go – it could win the rugby match' (3,3,3,5)
10 Fool a scruffy Latin attacker (9)
13 See 1 down
15 Unknown gin and tonic mixture gets a zero! (9)
17 If raising a parking trial could be prejudiced (7)
19 Tediousness of drill work on motorway (7)
21 Fool taking nightlight round front room (5)
22 See 7

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 21, marked Monday Crossword 9,015 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 25. Please allow 28 days for delivery of prizes.

Name____
Address____

Winners 9,003

G.J. Morrow, Port Erin, Isle of Man
M.Brockbank, Southport, Lancs
T.G. McCann, Ballymena, County Antrim
Diane Coutts, Stramshall, Staffs
C. Reader, London NW1
D. Turgoose, Chilwell, Nottingham

Solution 9,003

JOTTER PAD